S. HRG. 100-121 PT. 5

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR FISCAL YEAR 1988

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

FIRST SESSION

ON

H.R. 3186

AN ACT MAKING APPROPRIATIONS FOR FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1988, AND FOR OTHER PURPOSES

PART 5 (Pages 1-602)

DEPARTMENT OF STATE
NONDEPARTMENTAL WITNESSES

Printed for the use of the Committee on Appropriations

U.S. GOVERNMENT PRINTING OFFICE
78-736 O WASHINGTON : 1988

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

S181-16

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FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR FISCAL YEAR 1988

THURSDAY, JULY 30, 1987

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:10 a.m., in room S–126, the Capitol, Hon. Tom Harkin, presiding.

Present: Senators Lautenberg, Harkin, Kasten, and Nickles.

Also present: Senators Chiles and Reid.

NONDEPARTMENTAL WITNESSES

OPENING STATEMENT OF SENATOR HARKIN

Senator HARKIN. The Subcommittee on Foreign Operations of the Senate Appropriations Committee will come to order.

Today the subcommittee will receive testimony from public witnesses on the broad range of topics covered in the Foreign Assistance and Related Programs Appropriations bill.

We will have to receive the full cooperation of all of our witnesses if we are to complete this hearing today. Thirty-nine individuals and organizations have requested an opportunity to testify.

The subcommittee has requested that you limit your prepared statements to no more than 10 pages and that you limit your presentation today to no more than 10 minutes. I want to assure you that the record of this hearing will be made available to every member of the Senate. I thank all of you for making the effort to bring your views to the attention of the subcommittee. Our committee clerk, Mr. Collins, will have a time clock here and we will set that for 10 minutes.

I should also announce that we will be having other committee business. The full Appropriations Committee will be meeting in the room next door and from time to time the chairman, myself or whoever might replace me, might have to leave. The staff is authorized to receive testimony during the periods when members are necessarily absent for the full Appropriations Committee meeting.

We will begin our hearing this morning with Father Harold Bradley of Georgetown University and the programs administered by Georgetown.

Father Bradley, welcome to the subcommittee.

GEORGETOWN UNIVERSITY

STATEMENT OF THE REVEREND HAROLD BRADLEY, GEORGETOWN UNIVERSITY

ADMINISTERED PROGRAMS

Father BRADLEY. Thank you, Senator. I appreciate this opportunity to appear before the subcommittee and essentially, I want to thank the subcommittee for its support of four programs that we are administering.

CENTRAL AMERICA STUDENTS PROGRAM

The first is the Central American Students Program. We have 317 Students studying in community colleges under that program. We have 172 students who have already returned to Central America. These people are studying in 14 community colleges and we are very pleased to report to you that when we started out 3 years ago, we were working with an idea that we hoped would work and now we are pleased to report that it not only is an idea, but it is a fact.

The first 16 students finished this program in May at Coffeyville, KS. Ten of the 16 graduated with honors. None of these students spoke a word of English when they arrived in the United States, so we are very pleased and very much encouraged by what the community colleges, including Kirkwood, have been able to do.

The next program, because of our Success with this program AID has awarded us a contract to train people from Panama and they are starting out also in community colleges. We have 151 Panamanians in nine community colleges. Each country in Central America has funds for doing this.

Our program, the CASP program, is for all of the countries and Panama, but the rest of them are all on a country by country basis. Then, we have one of the country contracts, the one for Panama.

HEMISPHERE MIGRATION PROJECT

The other programs that I wamted to report on are the Hemisphere Migration Project, which the committee has supported for the last 3 years, or encouraged the State Department to support. As you know, the Commission for the Study of International Migration and Cooperetive Development has a mandate from the Immigration Act to study the same subjects. We are cooperating with them. Ambassador Ascencio has called me about providing them with the information we have gathered and cooperating with their further research.

REFUGEE HEALTH PROGRAM

Finally, the committee, several years, ago encouraged us and supported a request that we had to the State Department for funds for a refugee health program. We sent fourth year medical students to Thailand to work in refugee camps.

We had support from the State Department for one year, but since that time the program is supported by the university and private foundations. The umiversity next year is holding an international symposium on refugee medicine. We don't believe anybody has ever done this before anywhere.

I thank you for your attention.

[The prepared statement of Father Bradley follows:]

PREPARED STATEMENT OF FR. HAROLD BRADLEY, S.J.

SPECIAL ASSISTANT TO THE PRESIDENT

GEORGETOWN UNIVERSITY

Mr. Chairman and Members of the Subcommittee:

I am Father Harold Bradley, S.J., Special Assistant to the President of Georgetown University. I appreciate very much the opportunity to testify before this Subcommittee, and want to express my appreciation for your support of the Central American Peace Scholarship Program which is funded by AID. Under this program, three hundred and seventeen students from five Central American countries and Panama are studying at fourteen community colleges in different areas of the United States. One hundred seventy-two have completed their training in the United States and are now back in their home countries using their new skills and knowledge to the benefit of their employers, themselves, and their nations. We are developing in-country follow-up activities to help them continue to improve their skills and to maintain the solid ties they have formed with the communities where they received their training in the United States.

In addition to the Central American Scholarship Program, we are administering under contract to the AID Mission in Panama, a program in which 151 Panamanian undergraduate students are currently studying at nine community colleges in the United States. We are very pleased by the progress of all of these students in our community colleges, and are heartened by the splendid response of the communities themselves and their willingness to take so active and effective a part in implementing this very sound foreign policy initiative of the United States.

I would also like to report on the Hemispheric Migration Project which is funded by the Bureau for Refugee Programs of the Department of State. Funding of $650,000 in Fiscal Year 1988 will allow the completion of this project.

Finally, I would like to inform the Subcommittee of the plans of Georgetown University to organize an International Symposium on Refugee Health. This initiative is a direct result of the Georgetown University program to allow medical students to volunteer to provide health care to refugees in Thailand which this subcommittee has supported in the past and which is now financed by the University and a local foundation.

I thank you in the name of the President of Georgetown University, Rev. Timothy S. Healy, S.J.

CENTRAL AMERICAN SCHOLARSHIP PROGRAM (CASP)

Under a cooperative agreement with the Agency for International Development, Georgetown University is providing scholarships for underprivileged students from Belize, Costa Rica, El Salvador, Guatemala, Honduras, and Panama to study at community colleges in the United States. CASP is a component of the Central American Peace Scholarship Program which grew out of the recommendations of the National Bipartisan Commission on Central America, also known as the Kissinger Commission. In response to the recommendations of the Kissinger Commission, CASP was established by Congress as a pilot project of the Agency for International Development (AID), administered by Georgetown University. In March 1985 Georgetown University received $2 million from AID to fund Cycle A of the project. Additional funds were provided by AID to increase the grant to a $14 million project. CASP is prepared to recruit and select scholarship candidates for a fifth cycle of students.

The CASP program provides technical-vocational training in the United States in individually tailored programs typified by an inter-disciplinary approach substantially broader than degree-directed training. The actual training is carried out at the community college level throughout the United States. The community colleges were chosen by Georgetown University because of their potential to develop programs which meet the needs of this special group of students -- Spanish-speaking, from low-income families, and of varying educational backgrounds, skills and work experience. Scholarship recipients at any given community college consist of a mix of students from the six target countries. The duration of the programs of study offered CASP students at these community colleges ranges from 4 months to 2 years.

The two main objectives of CASP are to offer technical-vocational training, and to allow an "experience America" component to enrich the students' understanding of the United States. Through the community colleges involved with the program, CASP students are offered a combination of academic and practical training as well as social and cultural experiences with the local community.

Technical-Vocational Training

There are currently 317 CASP participants studying at 14 community colleges. Of the 317 participants, 128 are women. Among the fields of study offered are electronics, agriculture, computer science, machine tool, quality control, and hospitality management. One hundred seventy-two CASP graduates returned to their countries during 1986 and 1987. After completing their training in the United States, the CASP graduates are applying their knowledge and skills in their work-places and communities.

At present, 14 educational institutions located in different areas of the United States participate in the program:

Altoona Area Vo-Tech School
Altoona, Pennsylvania

Berkshire Community College
Pittsfield, Massachusetts

Bunker Hill Community College
Boston, Massachusetts

Coffeyville Community College
Coffeyville, Kansas

El Paso Community College
El Paso, Texas

Essex Community College
Baltimore, Maryland

West Hills College
Coalinga, California

Kirkwood Community College
Cedar Rapids, Iowa

Mt. Aloysius Junior College
Cresson, Pennsylvania

Tompkins Cortland Community College
Dryden, New York

Tri-County Area Vo-Tech
Bartlesville, Oklahoma

Waukesha County Technical Institute
Pewaukee, Wisconsin

UWC-Richland Center
Richland Center, Wisconsin

Modesto Community College
Modesto, California

"Experience America" Component

This aspect of the program is designed to provide the students with a broad variety of experiences that will help them understand the United States, its government, culture and people. It is more than just social and cultural enrichment, and includes a formal program to enhance their experience of the United States.

CASP students are involved in many activities in the community where they live while in the U.S. These activities include living with or visiting host families and participating in community activities, making field trips to historic sites and participating in government, social and cultural events.

CASP students also work as interns on problems they are interested in, and use the knowledge gained from their U.S. practical training experience to benefit their own communities when they return home. These and many other activities provide the students with opportunities to meet and know Americans and share experiences with them. In the long run, we expect the political objective of encouraging and reinforcing positive attitudes toward the United States will be achieved, and that these students will make a contribution toward peace and democracy in their native countries.

The first group of long term students finished their degree program at Coffeyville Community College in Coffeyville, Kansas in May. When these students arrived in the United States fifteen months ago they did not speak English. All sixteen received their Associate in Arts degree and ten graduated with honors. At the same time they studied for their academic degree they were trained in computer repair at Tri-County Area Vo-Tech in Bartlesville, Oklahoma. All have returned to their home countries and the majority are already employed.

CENTRAL AMERICAN PEACE SCHOLARSHIP PROGRAM - PANAMA

Georgetown University, under a contract with the USAID Mission in Panama, administers the Central American Peace Scholarship (CAPS) for Panama. Sponsored by this scholarship program, 151 Panamanian undergraduate students are currently studying at nine community colleges in the U.S. These students will subsequently transfer to four-year colleges or universities to earn a bachelor's degree in the fields of study of their choice.

Georgetown first took the initiative to utilize the resources of community colleges in the Central American Scholarship Program (CASP), an AID-supported participant training program in which scholars from all Central American countries (except Nicaragua) complete six months or two years of vocational/technical studies in the United States. Because of the positive results achieved in the CASP program and the unique needs of the CAPS scholars, Georgetown proposed to use community college academic programs as the first phase of CAPS/Panama undergraduate training. These community college academic programs offer the first two years of a bachelor's degree and thus parallel most general education requirements of a four-year, degree-granting institution. Furthermore, the community colleges offer additional resources which are particularly valuable to foreign students pursuing a bachelor's degree but are not necessarily emphasized at four-year colleges or universities.

Community college academic programs provide freshman and sophomore level courses in small classes and easy access to professors. This contrasts with freshman and sophomore level study at four-year colleges and universities which often have large lecture classes and more limited access to professors. Evidence shows that the more credit hours a student completes at the community college level, the higher the grade point average he or she is likely to achieve at a four-year institution.[1] Furthermore, the intimate and personal atmosphere of a community college is especially helpful to a foreign student who confronts the acquisition of English language skills and acculturation pressures in addition to the academic challenges that all college students face. Thus our use of community colleges in the first phase of the training program increases the student success rate at competitive cost.

The transfer of students from community colleges to four-year colleges and universities is easy because of system-wide or institution-specific articulation agreements which have been established in virtually all state systems of higher education. These agreements recognize the community college academic program course offerings as equivalent to those offered at the freshman and sophomore level at four-year colleges or universities.

Community colleges traditionally serve as community centers and thus have well developed networks linking them to other important institutions in their geographic area. These networks greatly facilitate the achievement of the CAPS "Experience America" objective. This objective as stated by the Kissinger Commission and supported by the legislation which funds the Peace Scholarship program is to foster among Panamanians understanding of and appreciation for U.S. democracy, free enterprise and pluralistic political, economic and social values and institutions. The community colleges engage CAPS students with community and civic organizations and educate them to the functioning of government on the state and local level.

Additional participant programs, short-term as well as long-term, are in planning stages for implementation to begin this year. The currently participating U.S. institutions are:

Broome County Community College
Binghamton, New York

Delta College
University Center, Michigan

Fort Scott Community College
Fort Scott, Kansas

Holyoke Community College
Holyoke, Massachusetts

Lake City Community College
Lake City, Florida

Lincoln Land Community College
Springfield, Illinois

Mount Aloysius Junior College
Cresson, Pennsylvania

Quinebaug Valley Community College
Danielson, Connecticut

University of Wisconsin Center
Wausau, Wisconsin

Georgetown is proud of the initiative it has taken to involve community colleges in the Peace Scholarship Program and expects to receive continued support so that this unique facet of U.S. higher education can be utilized to its fullest potential.

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[1] "Transfer Study: A Five-Year Study of Students Transferring from Illinois Two-Year Colleges to Illinois Senior Colleges/Universities in the Fall of 1979," Illinois Community College Board, Springfield, Illinois, May, 1986.

HEMISPHERIC MIGRATION PROJECT (HMP)

The Hemispheric Migration Project (HMP) is currently conducting a three-year program of research and policy analysis on the impact of emigration on sending countries in the Americas. Sponsored by the Center for Immigration Policy and Refugee Assistance of Georgetown University, funding has come from the Bureau for Refugee Programs of the Department of State. At this time, we present our plans for Fiscal Year 1988, the third and final year of the project, and request $650,000 to complete the research plan.

Coincidently, the body of knowledge that has been built up over the three years of the HMP will contribute to the information which will be used by the Commission for the Study of International Migration and Cooperative Economic Development. As you know, the Immigration Reform and Control Act of 1986 legislated the study of international migration and cooperative economic development by the Commission. The Act requires an analysis of "the conditions in Mexico and other such sending countries which contribute to unauthorized migration to the United States and mutually beneficial, reciprocal trade and investment programs to alleviate such conditions". The HMP's focus on the sending countries has resulted in a network of interested researchers and policy-makers and a rich store of information that will contribute significantly to this legislative mandate.

As we have reported in earlier testimony before this subcommittee and in briefings with many members of Congress and your staff, the Hemispheric Migration Project has concentrated on timely, policy relevant research on labor migration and refugee flows in the Western Hemisphere. In the final year of this project, the HMP will emphasize policy analysis and dissemination of the research that will have been conducted in the first two years. In addition, we will sponsor selected studies to round out the body of research conducted within the project's four priority areas.

A description of these research priorities follows with indication of the new research we intend to conduct with the funds requested for FY 88.

1. Durable solutions for refugees from Central America and the Southern Cone of Latin America have been a major research focus of the HMP. Research on this topic has been carried out in Argentina, Belize, Costa Rica, El Salvador, Guatemala, Mexico, Nicaragua and Uruguay. Many of these studies emphasize repatriation--the best possible durable solution. The Guatemalan study, for example, uncovered that successful reintegration was hindered by appropriation of land and intimidation of returnees at the local level. The researcher recommended that these difficulties might be partially rectified by an official program for adjudication of returnees' land claims.

In the final year of the project, we will draw on our own research as well as other relevant studies to analyze the prospects for durable solutions for the refugees, the displaced, and repatriates to Central America and the Southern Cone. Our plan is to review existing programs and suggest possible new directions.

2. The impact of migration on smallholder agriculture is a topic that HMP researchers have examined in national surveys in Caribbean countries such as Jamaica, St. Lucia and St. Kitts-Nevis. While research in much of the Caribbean reveals that little of the emigrants' remittance dollars are invested at

home in agriculture, our current Jamaican research documents a contrasting pattern. In Jamaican rural areas, nearly half of migrant remittances are invested in agricultural activities.

With FY88 funds, the project will extend this pioneering research on migration and agriculture to selected countries in the Caribbean Basin. These studies on migration phenomena ultimately will also shed light on the pressing problem of food security within that region.

3. Return Migration of exiles and labor migrants is a topic HMP researchers have focused upon for many countries in the Western Hemisphere--including Argentina, Colombia and Guatemala. While many officials braced themselves for large-scale return migration to Argentina and Colombia in recent years, HMP research showed that the volume of return was relatively light and, therefore, could not take the blame for national economic difficulties and increased unemployment. Additionally, Colombian research corroborates other studies in the Caribbean Basin that show that neither emigration nor return appear to be permanent phenomena; rather, patterns of long-term, circular labor migration have emerged in many countries.

With the present funding request, we will continue to explore ways in which returnees have been reintegrated into their countries of origin. A goal of this research is to assist policy-makers in the creation of programs and policies that will ensure that returnees lend their new-found skills and resources to national development.

4. Finally, the HMP has focused on the impact of restrictive immigration policies for migrant sending countries. Both immigration policy and economic crises in traditional receiving countries, such as the U.S. and Venezuela, have had repercussions in the flows of illegal workers and in the economies and societies from which they come. Currently, the HMP is supporting a pilot study on border development. Results of this study will indicate whether, in fact, such development programs tend to encourage or discourage illegal migration.

In the third and final year of the project, researchers will assess the potential impact that collaborative border development programs between selected countries may have on employment generation and reduced illegal emigration.

* * *

On the whole, at the end of the three years, the HMP will have produced academically-sound research on the major policy issues in labor migration and refugees today. It is our expectation that this body of research will contribute significantly to sound policy-making by challenging the myths and misconceptions that abound in this field.

To facilitate this policy process, the HMP will concentrate much of its efforts in FY88 on two activities: policy analysis of research findings and domestic and international dissemination of research results and policy recommendations.

The HMP will produce analytical briefs on the implications of HMP migration and refugee findings for U.S. foreign policy, international relations in the Western Hemisphere, and U.S. A.I.D. and other development agencies' programs in the hemisphere. Such position papers written by HMP researchers and consultants will provide the substance for briefings with members of Congress and their staff, officials of the Department of

State, and representatives of international agencies, such as the Organization of American States and the World Bank. Also, we will continue the practice of publishing the project's research papers, both in our own occasional paper series and in books and journals appropriate to the field.

In order to further disseminate research results and to discuss the policy implications of HMP findings, we have held meetings with policy-makers in the U.S. and Latin America. In 1986, the HMP brought together researchers and policy-makers from 16 countries to discuss selected migration issues. Based on contacts made at that meeting, the HMP more recently co-sponsored a closed-door, high level consultation on the U.S. legalization program to which were invited several Latin American experts on alien legalization programs.

This year a series of consultations will take place with policy-makers in Latin America regarding the impact for migrant sending countries of the new U.S. immigration law. This will be followed by a briefing of lawmakers on Capitol Hill in the fall. Continuing the pan-hemispheric character of the HMP, we intend to sponsor a series of regional meetings with policy-makers, North and South, as well as an international conference in Latin America to discuss the policy implications of the numerous studies conducted over the project's three years. A goal of the final international conference is to encourage bilateral and multilateral cooperation on specific migration and refugee problems confronting the U.S. and its neighbors in the Western Hemisphere.

In sum, in the final year of this three-year plan we will emphasize the dissemination of HMP research findings among policy-makers. Our goal is to promote a more thorough understanding of the causes and consequences of international migration.

We would like to express our appreciation to all the members of the Committee who have supported us in the Hemispheric Migration Project.

"AN INTERNATIONAL SYMPOSIUM ON REFUGEE HEALTH"

Georgetown University Medical Center
December 4-7, 1988

Refugee health care appeals to the humanist, international and scientific traditions of Georgetown University and its Medical Center. It is an issue of global concern that poses political, cultural, logistical and medical challenges. Despite the opportunities afforded by the societal calamities of this century, refugee health care remains ill defined. It lacks not so much a discrete body of knowledge as a repository for that knowledge. Refugee health care remains inspired but also ad hoc.

The Bicentennial Symposium, with its published proceedings, will define the medical, epidemiologic and organizational state of the art. Through scientific presentations and workshops, we will address the collection and interpretation of medical intelligence and epidemiologic data, the recruitment and training of refugees to be health care workers, and the priorities and logistics of urgent health care in the third world. With the participation of physicians, nurses, and health care workers from relief organizations, academic centers and agencies such as the Centers for Disease Control and the International Committee of the Red Cross, we will also seek a consensus on a variety of issues. These include the role of curative versus preventive health care, the costs versus benefits of diagnostic tests, and the ethics of how much to treat and provide.

OBJECTIVES

To communicate medical and nursing research in health diseases and developments adaptable to refugee health care

To review the state of the art in refugee health care (medical, nursing, public health and epidemiologic)

To analyze the organizational issues in delivering refugee health care

To identify key issues in refugee resettlement (mental health, social and transcultural)

To make recommendations regarding research priorities and cooperation in refugee health care

To identify and address ethical dilemmas in caring for refugees

SCHEDULE FOR THE INTERNATIONAL SYMPOSIUM ON REFUGEE HEALTH DURING THE BICENTENNIAL YEAR OF GEORGETOWN UNIVERSITY

December 4-7, 1988

Sunday Dec. 4, 1988	**Registration**	
Monday Dec. 5, 1988	**Plenary Session** "Medical Assistance to Disrupted Societies in the 1980's: A Critical Review of Refugee Health Care"	
8:30-Noon	Introduction Southeast Asia Afghanistan Ethiopia & Sudan Middle East Central America	
1-5 P.M.	**Concurrent Scientific Programs & Workshops**	
	Program A:	Progress in Disease & Therapy
	1-3 P.M.	Malaria: Epidemiology & Resistance Chemotherapy Vaccination
	3-5 P.M.	Tuberculosis: Epidemiology & Resistance Chemotherapy
	Program B:	Workshops on Health Care Overseas
	1-5 P.M.	Rehydration Nutrition & Feeding Sanitation Medical Logistics Dentistry & Oral Surgery Mental Health Transcultural Issues

Program C: Health Care for Resettled Refugees in the U.S.

1-3 P.M. Categorization: Refugees, Immigrant & Illegal Aliens
Screening & Public Health Issues

3-5 P.M. Experience of Specific Refugee Groups:
- Southeast Asia
- Hispanic
- African
- Afghani

7 P.M. Keynote Dinner: "The Status of Refugees in 1988"

Tuesday
Dec. 6, 1988 **Plenary Sessions**

8:30-9:30 A.M. "Ethical Problems in Refugee Care"

10-Noon "Resettlement of Refugees in the 1980's: Outcomes, Problems and Successes"

- France
- Canada
- Australia/New Zealand
- China
- United States

1-5 P.M. **Concurrent Scientific Programs & Workshops**

Program A: Progress in Curative & Preventive Therapy

1-3 P.M. Vaccinations:
- Malaria
- Meningococcus
- Measles
- Cholera

3-5 P.M. Pharmaceuticals:
- Antibiotics
- Antiparasitics

Vector Control

Program B: Medical Training & Education Overseas

1-3 P.M. Recruitment and Training of Refugees to be Health Care Workers:
- Appropriate Skills & Procedures
- Clinical Algorithms
- Mental Health

3-5 P.M. Training & Education for Expatriot Health Workers:
- Selection & Orientation of Expatriots
- Continuing Medical Education for Physicians and Nurses
- Refugee Area as a Place for Training Medical Students, Nursing Students, and Postgraduate Residents

Program C: Health Care for Resettled Refugees in the U.S.

1-5 P.M. Workshops on Specific Medical Issues:
- Tuberculosis: Epidemiology & Treatment
- Hepatitis & Delta Virus
- Parasitic Infections
- Sexually Transmitted Diseases
- Folk Medicine & Toxicities
- Dentistry & Oral Surgery
- Mental Health
- Transcultural Issues

Program D: Conferences on Ethics in Refugee Care

1-3 P.M. How much is enough or too much? Medical care may raise services and expectations. If the medical assistance is temporary, should the level of care be kept at a level equal to what existed prior to the refugee situation?

3-5 P.M. Discrepancies may result between the level of care given to the refugees and that available to host country residents. Should the level of care to refugees not surpass what is available to host country residents?

8-10:30 P.M. **Concurrent Scientific Programs & Workshops**

Program A: Progress in Disease & Therapy - Diarrheal Diseases

8-9 P.M. Basic Science of Diarrheal Diseases

9-10:30 P.M. Prospective Non-antimicrobial Antidiarrheal Agents

Program B: Native Health Practices & Beliefs

8-9:30 P.M. Rationale, Organization and Purposes of Native Health Practices

9:30-10:30 P.M. Cooperation between Western and Native Health Practices

Wednesday,
Dec. 7, 1988
9-Noon

Plenary Session

"Priorities in Refugee Health Care & Research; Consensus Conference on Cooperation among Assisting Agencies"

United Nations High Commissioner for Refugees (UNHCR)
United Nations Relief and Workers Administration (UNRWA)
International Committee of the Red Cross (ICRC)
Private Voluntary Organizations
Academic Medical Centers

1-5 P.M. **Concurrent Scientific Programs & Workshops**

Program A: Epidemiology & Planning

1-3 P.M. Screening & Assessment of Refugees
Medical Intelligence in the Developing Phase of a Refugee Crisis

3-4 P.M. Conducting Medical Surveillance in a Low-Technology Setting
Predictive Modeling

4-5 P.M. Epidemiology of AIDS in Refugee Relief Areas

Program B	Role of Health Services and Diagnostic Tests
1-3 P.M.	Health Services: Physicians and Nurses General Surgery Dentistry Subspecialties (Ophthalmology, etc)
3-5 P.M.	Diagnostic Tests: X-rays Culture & Sensitivities Chemistries
Program D	Conferences on Ethics and Refugee Care
1-3 P.M.	Medical assistance may also serve undesired political ends. Is it ethical to provide medical help if it is at the expense of human rights? Host countries may insist that refugee health care be linked to birth control.
3-5 P.M.	Is proselytization ethical in refugee care?

HEALTH PROGRAM

Senator Harkin. Father Bradley, thank you very much.

How many people do you have in that last one?

Father Bradley. In the health program. We send about 40 students a year to Thailand to work in refugee camps.

Senator Harkin. You may or may not know that I have a great interest in the CASP program.

Father Bradley. I certainly do.

Senator Harkin. I am one of, I think, many in the Senate and I am sure in the House, who feel very strongly that our awarding of scholarships to young people in Central America, indeed, in all of Latin America, is woefully inadequate compared to what Eastern Bloc countries are doing.

I think the time has come to really start focusing on bringing these young people to the United States, especially like this CASP program where you get them out of high school, bring them up here, give them some hands-on good vocational type training. I had the occasion to visit the program at Kirkwood College. I think it was one of the largest of your programs.

Father Bradley. Yes. One of the first and one of the largest.

Senator Harkin. I visited with the students at Kirkwood earlier this year, during the wintertime.

They also visited my office here just a couple of weeks ago. They were just finishing up their visit in the United States and getting ready to return to Central America. Their enthusiasm and their feelings about their experience and, as you said, their new command of the English language were just remarkable.

From my standpoint, I think that this program is clearly one of the most successful programs taken from the Kissinger Commission's original recommendations.

Father Bradley, I want to commend you for your insight and your excellent work, especially on this program.

Father BRADLEY. Thank you, Senator.

SUPPORT FOR CASP

Senator HARKIN. I want to use this opportunity to underscore my own commitment to the continued success of this program. I know there are already a number of friends of CASP already on this Subcommittee of Appropriations and I can assure you, as one of its newest members, I will join the ranks of CASP supporters.

I just have one question for the record, Father Bradley. If the Appropriations Committee were to decide to give you $10 million for the next fiscal year, fiscal year 1988, could you use it effectively?

Father BRADLEY. We certainly could, Senator.

Senator HARKIN. Are there enough students?

Father BRADLEY. There is no problem with recruiting the students. I would like to mention that out of the 505 students we recruited originally, we have lost only five. We think our method of recruiting is effective. We think the community colleges do an excellent job with them. So, we have no doubt that within 6 months we could have another 500 students in community colleges, if we had that amount of money.

PROGRAM EXPANSION

Senator HARKIN. Are there any existing programs that you are going to expand on from within CASP, or basically you have everything in place you can just go forward?

Father BRADLEY. We would have to get more community colleges, if we had that much more money.

Senator HARKIN. If you had $10 million.

Father BRADLEY. Yes.

Senator HARKIN. Could some of the community colleges expand their bases to provide more?

Father BRADLEY. Yes, and other subjects. For example, at Kirkwood we have put people only to study agriculture and there is no particular reason that that limitation should be there.

Senator HARKIN. There are a lot of other fields.

Father BRADLEY. Yes, other fields there that are very appropriate.

Senator HARKIN. I talked to a lot of these students who were just going back and we were talking about the projects that they were going to be involved in their countries. It was very exciting.

Father BRADLEY. Let me comment on something we had not anticipated. Four of the students who had been trained in computer repair in Northeastern Oklahoma Vocational Tech School, the ones that had studied at Coffeyville in Kansas, went home and instead of going to work for industry, the four of them started a small business and then got a contract with IBM, so that whenever IBM sells computers, their little business installs them and then later has a repair contract with IBM.

We had anticipated training people for industry and it turns out that they figured out something more effective to do than we had anticipated.

CASP FUNDING LEVEL

Senator HARKIN. What was the funding level for this year for the CASP?

Father BRADLEY. Six million dollars.

Senator HARKIN. Ten million dollars would be an increase?

Father BRADLEY. Yes.

Senator HARKIN. Have you or could you in a short period of time perhaps give us some idea of if you had the $10 million how you might expand these programs or what you might do with that or do you have plans in place now?

Father BRADLEY. We have already discussed this with our coordinators. We have a coordinator in each country, a national, with whom we meet to discuss this kind of thing. Most of our coordinators are recommending that we do more training of primary and secondary school educators.

For instance in Honduras, primary school educators are all people who graduated from a secondary school. Most secondary school educators are people who have graduated from a secondary school. So, the coordinator in that country has recommended that we bring in people for teacher training at the community college level, which again is something that we could expand into at Kirkwood with no problem.

Senator HARKIN. I just want you to know, Father Bradley, that in discussing with other members of the subcommittee and full committee, there is strong support for this program. Again, we commend you for operating a great program. I think you are going to find continued support for this.

Father BRADLEY. Thank you, Senator.

Senator HARKIN. Thank you very much, Father Bradley.

Our next witness is Michael T. Blouin, the Executive Director of Resource Development and Government Relations of Kirkwood Community College in Cedar Rapids.

I might just add a welcome to my former colleague in the House. Congressman Blouin and I came to the House of Representatives at the same time in 1974. He is now doing bigger and better things, running Kirkwood College's Research and Development Program.

I know that you are here to talk about the CASP program, I hope, and maybe some other things. Again, I think it is a great program.

Welcome to the subcommittee, Mike.

KIRKWOOD COMMUNITY COLLEGE, IOWA

STATEMENT OF MICHAEL T. BLOUIN, EXECUTIVE DIRECTOR, RESOURCE DEVELOPMENT AND GOVERNMENT RELATIONS, KIRKWOOD COMMUNITY COLLEGE, CEDAR RAPIDS, IOWA

ACCOMPANIED BY:

MARTHA ALDRIDGE, DIRECTOR, INTERNATIONAL EDUCATION, KIRKWOOD COMMUNITY COLLEGE

WAYNE NEWTON, PRESIDENT OF THE BOARD, KIRKWOOD COMMUNITY COLLEGE

RESEARCH AND DEVELOPMENT PROGRAM

Mr. BLOUIN. Senator, thank you very much for your welcome and for this time. I might add that I found a job these days that pays me twice a month that nobody has to vote on. [Laughter.]

I consider that a real relief compared to the past. I enjoyed working and serving with you in those years in the House. I enjoyed the relationship since and I have admired your work immensely.

I want to thank you as well, before I get into too much of this, for the commitment you have made to this program. You mentioned in your conversation with Father Bradley your visits to the Kirkwood campus. I might add that that was a very impressive visit to the students and to the college and community as well.

It was an indication of your support for what those students were involved in and for the program. I think that is a very real part of their experience and we appreciate it very much.

INTRODUCTION OF ASSOCIATES

I have with me today, too, two additional Kirkwood people. One is Martha Aldridge, who is the director of International Education at Kirkwood and as such is in charge of the day to day operation of the CASP Program, and Wayne Newton, our Board President for Kirkwood, both of whom are available to handle any questions that you might have.

Instead of going through the prepared text to any great length, I would ask that it be made a part of the record in its total and just concentrate on a couple of points.

SUCCESSES AT KIRKWOOD

We have gone through 36 students already at Kirkwood in the sense that they have graduated, have gone back. That represents, as I understand it, about 20 percent of the total of graduates of the Georgetown program. A program that we are very happy, proud and privileged to be a part of.

We try to concentrate on three goals in the program at Kirkwood. The agribusiness education is our area of concentration. That is our top goal. Our second goal, and not necessarily in any order, is promotion of peace. We think that the relationships understanding that come through education and through cultural exchanges of this nature are extremely important in building meaningful relationships among peoples. It has enriched the Kirkwood student body and the general population of our area.

As you know, our area does not have a large percentage of minority populations of any type. Less than 1 percent of the population of Cedar Rapids is black and that is our largest minority population. The exposure to other cultures and other races is very important, we feel, to the community and to the things that our community can learn from it as well.

KIRKWOOD PROGRAMS

We have two programs at Kirkwood, a short-term and a long-term training program. The short-term is about 6 months in length and concentrates on trying to develop agricultural skills in as compact an area as we can, to develop technicians who will then go back with an overview of agriculture that they can apply to their various fields.

The 2-year or long-term program results in an Associate of Arts Degree and is filled with experiences that obviously you can't get into in a 6-month period.

Our 36 short-term students have graduated and of our 42 long-term students, the first group, is set to graduate within the next few weeks as part of our regular graduation ceremonies in August at Kirkwood.

The program has been extremely beneficial from all aspects in our opinion and the opinion, more importantly, of those students that have gone back. The feedback is positive. We have fine-tuned the program based on input received over the time that we have been in it. We have fine-tuned it in relationship to the experiences that Georgetown receives from the activities of the other community colleges as well so that we are all mutually benefiting from each others experiences and learning activities.

The program has not only educational aspects in terms of learning agriculture, but there is the "experience America" side to it that gives them an opportunity to get out of the classroom and into farm settings, into government settings, into State capital or City Hall, even into Washington where we have had the delegation for these last couple of days—I think, one met with you yesterday briefly—where they get an opportunity to get a feel for how our system works. They take that back with them. They have chances during their stay to try to apply that to problems as they see them.

We have a strong sense that the program should be continued. Our greatest need in it is stability to build on the momentum that we have had.

Thirty-six students are back in Central America today applying what they have learned. They have been chosen because of their leadership abilities and their performance at Kirkwood has shown that they are in fact bright and serious students who are enthusiastic about the opportunities that they have had. In August, those 36 will be joined by 14 others who have received the 2-year Associate of Arts Degree.

Continuing to return this many students to Central America is in reality sending back to those countries a vision of the strength of this country. Iowans who have known them have a better understanding of Central America and those students have a much stronger understanding of our country.

If Kirkwood senses that and if our students feel that, we are sure that that same kind of response is coming from the other 13 community colleges involved in it, and we are convinced that the program needs to be continued because of the educational value as well as the relationship value that flows from these kinds of exchanges.

That concludes any manner of formal comments I have.

[The prepared statement of Mr. Blouin follows:]

Central American Scholarship Program

(CASP)

at

Kirkwood Community College

Cedar Rapids, Iowa

Michael Blouin
Executive Director, Resource Development
and Governmental Relations

Kirkwood Community College

Kirkwood Community College is a comprehensive public two-year community college of 6,800 students which has distinguished itself for quality programming and innovative instructional approaches. Located in the rich farmland of middle America, Kirkwood serves an urban-rural, seven-county district in East Central Iowa with a population of 345,000 people. This area is noted for its high productivity, with international trade and export being a priority and strength of the Cedar Rapids community.

Kirkwood offers some 65 vocational programs; college-parallel arts and sciences courses providing the first two years of college; and an adult education program that is among the largest in the country and includes basic education, high school completion, part-time vocational classes, and general interest courses. Kirkwood's Humanities program has been cited by the Secretary of Education as one of the best in the country.

Another distinguishing feature of the college is Kirkwood's Telecommunications System. The system uses live, interactive television to bring college credit courses to students near their homes. In addition, the system provides access to local cable television and four on-campus instructional sites. The system now is operative in over 20 locations in the service area of the college, including sites in centers serving the business community.

Kirkwood is responsive to community needs, providing training and education to maintain Iowa's rich manpower resources. Much of the specialized training needed by the community is planned by the Economic Development Center. The staff work with local agencies to enhance the economic development of the region by identifying training funds and providing training services that will attract business and industry into the area and encourage expansion of existing business. Through the Economic Development Center, business, government, and education are brought together in a commitment to productivity, profitability, and quality through a strong workforce.

Kirkwood has been interested and involved in international education for many years. Approximately 160 foreign nationals, refugees, and permanent-resident students from 32 countries are currently enrolled. Kirkwood faculty have provided technical assistance in Asia, Europe, and Latin America. Groups from Africa, the Middle East, Latin America, and Asia have been served by technical training on campus.

Agriculture at Kirkwood

Kirkwood Community College's Campus Farm has approximately 700 acres under its control, on which we produce about 500 acres of crops (corn, oats, forrage and soybeans). The farm operates as a laboratory for agri-business students.

In the horse production area, we own 24 horses, with others brought in from the community or by students for special projects. The swine enterprise farrows to finish approximately 800 head per year. The beef operation maintains a 35-cow commercial herd. We do purchase an additional 100 head of cattle each year for special classes. The sheep enterprise has about 35 head of ewes and approximately 40 head of lambs.

Programs offered under Agricultural Technologies are: Small Animal Services; Agribusiness Technology; Horse Science Technology; Parks and Natural Resources; Landscape, Nursery, Garden Center; Farm and Ranch Technology; Pet Grooming; Floriculture; Grounds & Turf management; Farm Equipment Mechanization Technology.

In 1986/87, 152 students graduated from Agricultural Technologies programs.

Most recently the Kirkwood Farm has responded to the Iowa farm crisis by establishing the Rural Diversified Enterprise Center. Outreach workers from the Center spend most of their time on farms and in small, rural towns working with farm families to help them use the changes in agriculture to revitalize their business outlook. Services begin with assessment of the farm family's needs and includes both individual counseling and classes in alternative uses of farm resources. In concert with the Center, the Kirkwood Farm now raises test plots of diverse crops not common to Iowa (kidney beans, white corn, edible soybeans, fava beans, and amaranth).

Goals of CASP at Kirkwood

The Central American Scholarship Program (CASP) at Kirkwood is funded by the United States Agency for International Development, (USAID) through Georgetown University. Kirkwood Community College is one of the first three community colleges to become involved-with 24 students who arrived in September, 1985. Currently there are 44 students on campus and 36 graduates back in Central America. All CASP students at Kirkwood are studying agri-business.

There are three goals of the CASP program at Kirkwood:

I. Agri-business Education. By teaching agri-business knowledge and skills to Central American students, Kirkwood expects these students to be more productive themselves and to teach others when they return home.

II. Promotion of Peace. One of the major thrusts of CASP is to promote peace through education and understanding. Understanding between Central Americans and Iowans grows when people have formed personal relationships.

III. Enrichment of the Kirkwood Student Body. Kirkwood is located in the part of the country that has a very small minority population. In fact, the city of Cedar Rapids has less than a one percent Black population, and the Blacks are the largest minority group in the city. By bringing students from other countries to our campus, we are better able to enrich the backgrounds of our traditional Iowa students by introducing them to a variety of people.

CASP Students

CASP students come from Belize, El Salvador, Costa Rica, Panama, Guatemala, and Honduras. They are selected to represent rural areas or are lower income students who have exhibited outstanding academic and leadership abilities. It has been Kirkwood's experience that the students who have come here are people who would not otherwise have had an opportunity to gain this kind of training because of the financial situation of the family. Students recognize the opportunities they are getting and work extremely hard.

Short-term Training

Students have been here under two types of training programs: (1) short-term training lasting six months and (2) long-term training lasting two years. A total of three groups of short-term students have come to the campus beginning in September of 1985. The emphasis of the short-term program is to provide technicians currently employed in agri-business with an intensive overview of agricultural programs.

Units of instruction are intensified special crop production, diversified agriculture, intensive row crop production, poultry production, intensified forage and small grain production, equipment, swine production, production facilities, ruminant production, and conservation/ecology. Designed within each of these units are a variety of techniques and experiences that included:

1. Personal leadership and individual skill assessment

2. Familiarization with Iowa including rural social concerns, farm family life and lifestyles of other agricultural technologies students at Kirkwood

3. Career awareness activities

4. Selected hands-on experiences with the Kirkwood demonstration farm
5. Personal wellness and safety on the farm
6. Exploration of potential learning resources
7. Management of a farm as a business

Kirkwood faculty teaches all courses through a Spanish translator. Instruction is supplemented with at least three field trips a week to observe production facilities in the midwest. On these field trips students take numerous pictures, which are organized into training materials to take back home with them.

At the end of their academic training, students are placed in a soil conservation office to work for one to two weeks. During this time they live with an Iowa farm family.

The agricultural curriculum is enhanced by a course in American government. This is a traditional political science course that introduces the students to local, state, and national government. On the national level, students study the three branches of government and the political process that links them. Students visit the state capitol and have an opportunity to meet with Governor Branstad. On the most recent trip, they also sat in on a session of the Iowa legislature. Local tours include visiting city government offices and meeting Don Canney, the mayor of Cedar Rapids, and other local government officials. This combination of classroom information with field trips serve to help these students understand the political decision-making process in the United States.

Students also take a course in development agriculture taught by an economics instructor with a specialty in Third World development. This course analyzes models of development that have been used by World Bank, USAID, and other development agencies. The course culminates in each student's development of a project that addresses an existing problem in the his/her home country.

Kirkwood has hosted 36 short-term students, all of whom have completed their studies and are now back in their respective countries.

Long-term Training

Kirkwood received 14 long-term students on September 3, 1985. Six months later an additional 16 long-term students began training, and in September of 1986 Kirkwood began training its third group of long-term students. The first group of long-term students will graduate from Kirkwood in August, 1987.

The long-term program (two years) begins with an intensive English language program. As student proficiency in English increases, students are mainstreamed into Kirkwood's Farm and Ranch Technology Program. At this point students may develop an individualized program for the particular expertise they need for their future career in their home country. Students are currently specializing in beef production, swine production, floriculture and agri-business. Some students are supplementing their education with computer programming courses. At the end of the two year period, each student will have earned an Associate of Applied Science Degree.

The additional time the students in the long-term program have on campus enables them to expand on their understanding of American culture. One formal way of doing this is for them to take a second American government course - the Citizens Role in Government. This course reviews the roles of interest groups in community politics and also looks at how citizens participate in the community through voting, running for office, and being appointed to office. Students also go on field trips to local organizations, meetings of interest groups, and offices of the city and county government. The goal of the course is to provide Central American students with the knowledge about society in the United States that will help them explain North America when they return home. Application of the material to Central America is enhanced by several activities in which the students take organizational problems in their own countries and apply the North American problem solving techniques of representative government to these problems.

Experience America

In addition to their academic work, CASP students are expected to participate actively in social activities to gain an in-depth understanding of American culture. One example of this kind of experience has been an exchange of Central American students and students in a nearby high school. CASP students visited the school and taught Spanish classes for one day. At the end of the day each Central American student went home with an American high school student. This exchange was reciprocated when Kirkwood hosted a reception for the high school students. This exchange has been continuing for several months.

Some of the Central American students have organized a dance troupe that performs at least twice a week for community groups. The Central American Dancers have become one of the most popular features in the Cedar Rapids area.

Students have also gone to high schools, civic clubs, and social clubs to describe their countries to interested audiences. The students were told when they came that they would be ambassadors from their country, and they have taken this responsibility very seriously.

The "Experience America" component of the program at Kirkwood is intensified by the requirement that each student participate in an Ag Leadership program. Through this program students must set goals and solve problems using a democratic process. They are learning to mediate, negotiate and live by decisions of majority rule. A faculty member meets with the students; however, students are made to understand that they are responsible for the success of any activities carried out through this democratic process.

Future Needs

From all data that have been collected from the 36 short-term students who have returned from Kirkwood to Central American, the evidence is strong that this training program has been successful in meeting the goal of upgrading technicians in agri-business. Our experiences during the past 18 months have enabled us to use feedback from returning students and from students who have been through various components of this program to refine the training programs. We now have faculty who are experienced in this unique training model and who continue to be enthusiastic about the CASP program.

We also have a strong curriculum that meets the goals of the project. The greatest need now is stability in the program to build on the momentum that we have. Thirty-six people in Central America are today back in their countries applying their Kirkwood education. These students were chosen for their leadership abilities, and their performance at Kirkwood has shown that they in fact are bright and serious workers. In August they will be joined by 14 other students who have received two years of training. Continuing to return this many students from Iowa to Central America is in reality sending back to Central America a vision of the strength of this country. Iowans who have known them have a better understanding of Central America, and these Central American students have a much stronger understanding of the United States. Continuation of funding would enable Kirkwood to maintain the program that is now operating so smoothly.

PROGRAM STABILITY

Senator Harkin. Thank you very much.

I have a couple of questions. I see Father Bradley, so I may have a question for you too. I just noticed something here. When you said that the greatest need now is stability in the program, can you tell me more what you mean by that? Are you concerned about future funding or what do you mean by stability in the program?

Mr. Blouin. I think it is both in terms of funding, the knowledge that the program will continue federally. It helps in terms of students feeling, especially in a 2-year program, feeling that that program will continue for the time that they are here.

The stability, too, in terms of each of the colleges, and we can only speak from the Kirkwood perspective, participation in it. We have, we think, built a very good program. It has been built around faculty and staff who have been fine-tuned for this purpose. The continuation of those dollars ensures the continuation of the presence of that faculty and staff, who we wouldn't be able to afford to keep if it weren't for the exchange of dollars that go along with he exchange of students. It brings about the stability of the quality of the program.

It is really two pronged in terms of the institutional involvement and more importantly the involvement of the program in the country.

STUDENTS AT KIRKWOOD

Senator HARKIN. How many students did you have this past year at Kirkwood?

Mr. BLOUIN. We have 42 currently in the long-term program. Our 36 short-term graduates have all graduated.

Senator HARKIN. Another thing that occurred to me when I met with them at Kirkwood was not only the interaction that they get on a community level, and these are all community colleges where these students are, it is a little bit different than if they went to a university setting where they might be in a dorm or something like that. In the community college, the one thing that impressed me is a lot of them were living out in the community.

Mr. BLOUIN. Yes.

Senator HARKIN. They were associating with normal average run of the mill Americans, not those of us who sit here in Washington. That impressed me, but what also impressed me was that these students came from all these different Central American countries and they were associating with one another.

Mr. BLOUIN. With each other.

Senator HARKIN. With each other, and these are the young kids that are going to grow up to assume positions of leadership in their country, either in business or in government, and there will be that cross fertilization from country to country to country, which I think is so vitally important.

Mr. BLOUIN. The barriers that break down in those types of relationships are incredible.

Senator HARKIN. Over 10,000 students from Latin America received full scholarships to study in the Soviet Union every year. We send somewhat less than 2,000 for all of Latin America. I think that is dismal.

If I could call on Father Bradley, I see that all Central American countries except for Nicaragua are eligible to participate.

Why isn't Nicaragua included? Is that exclusion in the law?

Father BRADLEY. AID cannot spend money in Nicaragua. Our program is funded through AID.

Senator HARKIN. But the money is not spent in these countries, in Guatemala, are they? Is the money spent there? The students are brought here, the money is sort of spent here. It is all spent here.

We take a student from Guatemala to Kirkwood College and they are there for a couple of years and go back. What money is spent in Guatemala?

Father BRADLEY. A very small amount in recruiting students. I don't know how much it is, but it is certainly less than 10 percent of the amount of that student's scholarship.

STUDENT RECRUITMENT IN NICARAGUA

Senator HARKIN. Does the law specifically prohibit the recruitment of students in Nicaragua?

Father BRADLEY. No, it doesn't. The law prohibits AID using its funds to the benefit of Nicaragua. I would like to correct this for the record and tell you what the law says exactly, but that is the sense of the law.

Senator HARKIN. I want to find out more about this. I want to find out if this is really the law or if this is regulation. Perhaps, we might do something about that.

Father BRADLEY. It is the effective congressional action.

Senator HARKIN. I will talk some more with counsel about that. It seems to me that here we have, regardless of this whole Contra thing, diplomatic relations with the country of Nicaragua.

Father BRADLEY. That is right.

Senator HARKIN. If we want future generations of Nicaraguans to be friendly with the United States, it would seem to me that it would be to our benefit to have students come here and go to our community colleges. This is sort of like cutting your nose off to spite your face, as the old saying goes.

Counsel tells me, however, that the President can waive this restriction. It would seem to me that it would be wise to waive this kind of restriction and bring some of these young kids up here to study.

Father BRADLEY. We would be pleased to respond to recommendations from AID to recruit students from Nicaragua.

Senator HARKIN. I think it would be wise to do so. I was not aware of that restriction.

Thank you both very much. Father Bradley, Mike, thank you very much.

Mr. BLOUIN. Senator, thank you.

Senator HARKIN. It is a great program. I met with those students yesterday, and I am seeing them later today.

Mr. BLOUIN. Good.

Senator HARKIN. It really was a great experience and I hope we can provide the stability that you need for these programs.

Mr. BLOUIN. I hope you can keep coming back to visit them.

Senator HARKIN. I hope so too.

The next witness is Thomas B. Stoel, Natural Resources Defense Council.

Good morning, Mr. Stoel, and just let me say for everyone today testifying that your statements will be made a part of the record in their entirety and as you have heard me earlier, we have 10 minutes.

NATURAL RESOURCES DEFENSE COUNCIL

STATEMENT OF THOMAS B. STOEL, JR., DIRECTOR, INTERNATIONAL PROJECT, NATURAL RESOURCES DEFENSE COUNCIL

CATEGORIES OF REQUEST

Mr. STOEL. Thank you, Mr. Chairman. I appreciate the opportunity to testify before the subcommittee. The Natural Resources Defense Council is one of the Nation's leading environmental organizations with more than 75,000 members in every State and many foreign countries.

I am accompanied today by my colleague David Wirth, who will be available to answer questions.

The recommendations and my testimony fall into three categories. The first consists of activities so important to the world's environment that we ask the subcommittee to ensure adequate resources even in this time of tight budget.

The second consists of proposed activities which we recommend not be undertaken and on which we can save money. Finally, there are areas where the primary need is for guidance as to how funds can be spent more effectively.

Among the programs so important that we asked that they be spared from the Budget Act is the U.N. Environment Programme, commonly known as UNEP. UNEP plays an essential role on the world scene as catalyst, coordinator and international forum. It is not an operational agency, but a tool which nations, including the United States, can use to address global problems more effectively and cheaply.

OZONE DEPLETION CONVENTION

UNEP is doing a very good job. Only in this year, UNEP is moving toward the completion of an Ozone Depletion Convention, which will protect us and others from this extremely hazardous problem. Without UNEP we would not have a place to reach international agreement on the related problem of global warming due to build up of gases in the atmosphere, which threatens to warm the whole atmosphere by several degrees and, incidentally, might render corn growing in Iowa a thing of the past.

REGIONAL SEAS PROGRAM

Finally, UNEP is engaged in a regional seas program which recently concluded an agreement to clean up the Caribbean, a sea of very great interest to the United States. UNEP is very responsive to United States interest, most recently, at its governing council meeting held last June.

UNEP BUDGET

In addition, UNEP is very tightly managed from a financial point of view. UNEP must continue this important work and take badly needed additional actions, but it is strapped for funds and cannot get even the bare minimum. Between 1977 and 1984 the United States contributed $10 million a year to UNEP, but in the last 2 years, we cut our contribution by 32 percent and, when inflation is taken in account, this amoumts to a total cut of perhaps two-thirds in our contribution to this agency.

The problems that UNEP is addressing have grown more serious as the impacts on our own country are even more apparent. To cripple this widely needed agency would be the height of folly.

Therefore, we ask that this subcommittee recommend the UNEP contribution for fiscal year 1988 as at least $10 million. I would note that the Foreign Relations Committee has marked up a bill authorizing a contribution of $12 million.

EXTINCTION OF WILDLIFE SPECIES PROGRAM

The second vitally important program we would like to see protected is U.S. AID's effort to prevent extinction of wildlife species. We are threatened in just the next 10 to 20 years with the loss of up to 20 percent of all the living species on this earth.

AID can do a great deal to prevent this. AID's program was put on a sound basis for the first time last fall, when the Congress required AID to spend at least $2.5 million for this purpose in fiscal year 1987. This earmark galvanized the agency into effective action. It has funded a number of effective projects.

This is no time for the Congress to relax. We fear and conversations with AID staff confirm that if there is no earmark for the next fiscal year, other priorities will dominate and this important program may die.

NRDC, therefore, urges this subcommittee most strongly to earmark $10 million for this purpose during fiscal year 1988. Again, this is provided in the bill that was marked up by the Foreign Relations Committee last spring.

AFRICAN FAMINE

One of the world's great environmental crises is occurring on the continent of Africa, where tens of thousands died of famine just a short time ago, and more than 10 million were forced to leave their home.

If this tragedy is not to be repeated, we must reverse the trend of environmental degradation and overly rapid population growth, which underlay the famine. This will require redirection of the U.S. Bilateral Aid Program and it can be accomplished by appropriating adequate funds and directing how they can be spent.

We ask that the subcommittee require AID to spend at least $475 million next year on development assistance to Africa, and that at least 10 percent of that amount be spent on small scale projects to maintain and restore the natural resource base at the village level. In this recommendation we are joined by the National Wildlife Federation, which has more than 4.5 million members and supporters.

MEDFLY ERADICATION

In the second category, actions which should not be undertaken and are wasting money, fall to two pesticide projects proposed for funding by AID in Central America to eradicate the Medfly. These projects, described in some detail in my written Statement, are harmful to the environment and to people and are simply unnecessary. This subcommittee should direct AID not to support them and thereby save the funds that otherwise would be spent.

MDB ENVIRONMENTAL PERFORMANCE

The final area I will address is the environmental performance of the Multilateral Development Banks. This subcommittee has been instrumental in the effort to reform the practices of the World Bank and the others of these very important institutions. You must not let up.

With respect to funding, we believe the progress made by most of these institutions warrants funding at the level requested by the administration, but if this proves impossible, we ask that the funds be taken from the Inter-American Development Bank, which has been by far the most resistant to environmental reform.

We urge this subcommittee to direct the U.S. Representatives to the Multilateral Banks to keep up the pressure by encouraging them to establish targets for an environmentally beneficial lending and for the number of environmentally trained staff they employ. This subcommittee also should instruct the U.S. Representatives to vote against loans with significant adverse environmental effects.

We support the provision introduced by Senator Kasten to protect tropical forests and wetlands, and we urge this subcommittee to take steps to strengthen U.S. AID's early warning system, which is intended to identify potentially harmful Multilateral Bank projects and get them changed before it is too late.

Mr. Chairman, that concludes my oral remarks. I would be happy to answer any questions you may have.

[The prepared statement of Mr. Stoel follows:]

Natural Resources
Defense Council

TESTIMONY OF THOMAS B. STOEL, JR.

DIRECTOR, NRDC INTERNATIONAL PROGRAM

I. Introduction and Overview

Mr. Chairman, I appreciate very much the opportunity to testify before this Subcommittee concerning the matters within its jurisdiction which affect the international environment. I am Thomas B. Stoel, Jr., Director of the International Program of the Natural Resources Defense Council (NRDC). NRDC is one of the Nation's leading environmental organizations, with more than 75,000 members in every state and many foreign countries.

Because of the breadth of the Subcommittee's jurisdiction, I will discuss today a number of different issues and the actions we recommend. These include:

- The important role of the UN Environment Program, the only worldwide environmental agency, and the necessity of a larger U.S. contribution to UNEP.
- The problem of global loss of wildlife species, where NRDC recommends that this Subcommittee earmark $10 million for USAID's efforts and express the sense of the Congress that the Executive Branch should seek a badly needed international agreement to conserve wildlife habitats.
- The problem of resource degradation in Africa -- a major cause of the recent and tragic famine, where NRDC supports an earmark and congressional guidance on how to spend it.
- The problem of pesticide abuse and actions needed to prevent it, including prohibition of U.S. support for misguided pesticide projects in Central America and positive U.S. efforts to build regulatory capacity in developing nations.
- The need for continued U.S. leadership in the field of population assistance, and the funding to make that leadership a reality.
- The need for even greater pressure on the multilateral development banks to improve their environmental performance.

II. International Environmental Problems: Impacts and Solutions

It is unnecessary to review the problems in detail, but a brief overview will put the rest of my testimony in perspective. A fundamental problem is the continuing rise in the world's population, which is predicted to grow more than a third by the year 2000, to more than 6 billion. Experts project that Mexico eventually will grow from its present population of 82 million to 195 million; El Salvador from 5 to 16 million; Kenya from 21 to 116 million; and The Philippines from 58 to 125 million.

This population growth will put ever-greater pressure on the earth's natural resources, especially its biological systems -- forests, grazing lands, croplands, and fisheries. The world's tropical forests are rapidly being destroyed. Since they are the home of perhaps half of all the world's plants and animals, we face the prospect that up to 20% of all the world's living species will be rendered extinct in the next few decades. Desertification and other forms of soil erosion threaten the productivity of vast areas of grazing lands and croplands.

To these problems of resource degradation must be added environmental threats from acid rain, pesticides, and other toxic chemicals. And beyond these local and regional dangers are the impacts of man's activities on the global atmospheric system: we are depleting the stratospheric ozone layer which protects the earth from harmful ultraviolet radiation, and man-made contaminants are warming the entire atmosphere due to the so-called "greenhouse effect" with potentially enormous impacts on ocean levels, rainfall, and crop production.

To solve these problems, we must, during the next few decades, lower drastically the rate of population increase; improve agricultural production without further destroying the earth's biological systems; safeguard the earth's treasure chest of wildlife species; find a suitable replacement for the petroleum which fuels much of the world's economy; and control contamination of the atmosphere. If we fail, the earth will be much less habitable for all of us. It is no exaggeration to say that we live at a turning point in history, for success or failure in meeting these challenges will decide to a considerable extent the long-run future of humanity.

III. There Are Solutions

If these existence of these serious and growing problems is the bad news, there is a lot of good news. It is that, for the most part, we know how to solve these problems. There are some issues which require further study, but we are told in field after field that if the best techniques being applied anywhere could be applied everywhere in the world, there would be no problem.

With respect to many threats -- among them overly rapid population growth, deforestation, extinction of wildlife species, and desertification -- there exist well-thought-out, agreed-upon international action plans for achieving solutions. In most other areas, there is general agreement as to the directions in which we should move.

I don't mean to imply that these problems are well on the way to being solved. We all know they are not. But the main reason why they are growing more serious is not a lack of knowledge about the actions we should take. It is that the world community won't commit the necessary resources and make the necessary policy changes.

Much of the responsibility lies with our own country. The United States is the richest nation on earth, commanding nearly one-fourth of total global wealth. Our share of scientific and technical know-how is probably at least as great. We are looked to for leadership by both industrialized and developing nations. In the past, U.S. leadership has been the single most important element in attacking these problems. U.S. leadership equally essential now, and this Subcommittee the opportunity to ensure that we provide it.

IV. The Need for a Larger U.S. Contribution to UNEP

Only one international agency is grappling with all the problems I have described: the UN Environment Program (UNEP). Established in 1973, UNEP plays an essential role as catalyst, coordinator, and international forum. It is not an operational agency, but a tool which nations -- including our own -- can use to address problems more effectively and cheaply.

UNEP has done a good job. Without UNEP, the world's nations would not be negotiating seriously to regulate the chemical compounds which are depleting the ozone layer. Without UNEP, we would have no place for reaching international consensus on the extent and impacts of the "greenhouse effect," and no forum in which to find a solution. Without UNEP, nations would not have agreed on measures to clean up nine different regional seas, including the Caribbean.

UNEP has been responsive to U.S. interests, most recently at the Governing Council meeting held last month. In addition, UNEP is tightly managed in spite of difficulties occasioned by uncertainties as to the level of U.S. funding.

UNEP must continue its work on the vital issues just mentioned. It must also take other badly needed actions, such as:

- Working with the governments of the United States and other nations to promote a badly needed international agreement to protect the habitats of endangered species in the poor nations of the tropics, thus eliminating the chief cause of species extinctions.
- Helping developing nations improve their ability to safeguard their own environments, thus preventing future Bhopal disasters, hundreds of thousands of pesticide poisonings each year, needless destruction of tropical forests, and the spread of the deserts.
- Helping to change the development priorities of national governments and large institutions like the World Bank in favor of more sustainable forms of development.
- Publicizing for the world community especially serious environmental threats in time to mobilize a response, as UNEP did in 1984 when it funded a film on the environmental causes of the then-little-known famine in Ethiopia.

UNEP cannot take actions like these because it is strapped for funds. UNEP is not even sure of the $30 million a year in national contributions needed to continue its present work, much less the additional resources required to do the things just described. Because of funding uncertainties, UNEP has been forced to leave vacant staff positions already authorized, thus creating severe management problems and hampering its effectiveness.

The blame lies largely with us. Between 1974 and 1984, the United States contributed $10 million a year to UNEP. But in Fiscal Years 1986 and 1987, we allowed our contribution to decline by 32%, to $6.8 million. This short-sighted U.S. action deprived UNEP of more than 10% of its annual income, caused severe management problems, and sent discouraging signals to other donors. This year the Administration has added insult to injury by requesting only $4.8 million for UNEP.

This pattern of reduced funding must be reversed. When inflation is taken into account, the U.S. contribution to UNEP has declined by at least two-thirds since 1974. Yet the problems UNEP is addressing have grown more serious, and the adverse impacts on our own country and its vital interests are even more apparent. To cripple this vitally important agency would be the height of folly.

Therefore, NRDC asks this Subcommittee to recommend a U.S. contribution to UNEP of at least $10 million for FY 1988. This is the minimum amount which will enable UNEP to carry out a program commensurate with the challenges we face. It would send a signal to other donors, and to the world community, that the United States believes these problems are serious and wants UNEP to address them. We also urge the inclusion of bill or report language stating that the Executive Branch should encourage UNEP to take the actions outlined above to promote an international agreement to protect the habitats of endangered species; help developing nations improve their capacity to safeguard their environments; promote sustainable development; and publicize especially serious environmental threats.

V. Preventing Extinction of Wildlife Species

We face the horrifying prospect of losing, in just the next few decades, up to a quarter of all the earth's plant and animal species, due mainly to destruction of tropical forests and other habitats. Scientists at last fall's National Forum on Biodiversity, held here in Washington and sponsored by the Smithsonian Institution, warned that we face a wave of extinctions comparable in magnitude to that which destroyed the dinosaurs and many other species some 65 million years ago. Harvard Professor Edward O. Wilson, the "father of sociobiology," has said that this loss of living species is the loss our descendants will least forgive us.

The economic consequences of losing this huge, untapped resource are incalculable but plainly enormous. Even now, one-fourth of all prescription drugs in this country had their origin in tropical plants or animals.

U.S. AID can do a great deal to help countries safeguard habitats and species. The Congress directed AID to do so in 1983 when it enacted Section 119 of the Foreign Assistance Act. Section 119(b) directs AID to:

> assist countries in protecting and maintaining wildlife habitats and in developing sound wildlife management and plant conservation programs. Special efforts should be made to establish and maintain wildlife sanctuaries, reserves, and parks; to enact and enforce anti-poaching measures; and to identify, study, and catalog animal and plant species, especially in tropical environments.

Unfortunately, AID did not obey this congressional mandate. By 1986, the Agency was doing little if any more to protect wildlife than before Section 119 was enacted.

After thorough hearings, the Congress by amended Section 119 to require that AID spend at least $2.5 million for the purposes of Section 119(b) during FY 87. The Senate passed unanimously a bill requiring AID to spend at least $5 million in FY 88 and $10 million in FY 89. Unfortunately, no conference was possible due to end-of-session time pressures, and the Congress approved only $2.5 million for FY 87.

In the nine months since the enactment of this amendment, AID has responded effectively to this congressional directive. AID personnel are enthusiastic about the quality of the projects they are supporting. Most of these projects had already been designed by experts (such as those associated with the World Wildlife Fund and International Union for Conservation of Nature) and approved by host-country governments, but were languishing for lack of funds.

From NRDC's point of view, the earmark was by far the most important part of last fall's amendment. In view of AID's previous record of neglect and its effective response to the FY 87 earmark, this is no time for the Congress to relax. We fear, and private conversations with AID staff confirm, that if the Congress does not earmark funds, other priorities again will dominate and the Agency's efforts will decline just when it is essential that they increase.

NRDC therefore urges this Subcommittee most strongly to earmark $10 million to be spent for the purposes of Section 119(b) during FY 88. The United States could not make a better investment in the future of life on this planet.

Habitat destruction, especially in developing nations, is the leading cause of the accelerating extinction of animal and plant species. Increased international cooperation is essential to halt this loss of unique and irreplaceable ecosystems. An international agreement is badly needed to guide that cooperation. Accordingly, NRDC urges this Subcommittee to express the sense of the Congress that the Executive Branch should exert U.S. leadership aimed at the earliest possible negotiation of an international convention with the objective of ensuring the identification and protection of a worldwide, representative system of ecosystems adequate to conserve biological diversity, and report to the Congress on progress within one year.

VI. The Environmental Crisis in Africa

Africa recently emerged from a famine which caused the deaths of many thousands of people and threatened the lives of millions more. The United States provided hundreds of millions of dollars worth of food aid to prevent further starvation. If this experience is not to be repeated, we must recognize that Africa's ongoing crisis is caused to a great extent by environmental degradation coupled with overly rapid population growth, and that these trends must be reversed if Africa is to enjoy a decent future.

A. The Environmental Crisis in Africa

The United Nations estimates that Africa's population, now about 550 million, will reach 1.5 billion by the year 2025, less than 40 years from now. Population growth places greater stress on Africa's fragile natural resource base, unleashing a downward spiral in which reduced productivity generates even more pressure due to the continual need to increase output.

Africa's people are still mainly rural, and most of them depend on nearby natural resources for the great majority of their daily needs. Food mainly is of local origin, and depends on water, productive soils, and wild species of plants and animals. Most people obtain water from neighboring rivers, streams, or wells. About 90% depend on fuelwood, animal dung, or crop residues for heating and cooking. Trees and shrubs provide materials for shelter.

The essence of the problem in Africa is that growing numbers of people live on arid lands where these resources are difficult to produce at best. Climatic conditions -- which unfortunately may persist over the long term -- have caused production of these resources to fall short of the needs of the present population. One result was the recent famine.

If the output of food and other necessities is to increase, the natural resource base must become more productive. But in fact it is deteriorating rapidly.

Perhaps the most troublesome trend is loss of soil productivity. Precise figures for the African continent as a whole are hard to come by, but it is known that little arable land remains uncultivated; that on sloping fields, soil erosion of 20-40 tons per acre is common; that as fuelwood becomes scarce, cow dung and crop residues are increasingly used for fuel rather than to renew the soil; that livestock numbers have nearly doubled since 1950 and in many areas exceed the land's carrying capacity by 50-100%. In addition, drought and erosion are affecting water supplies. Wells dry up; rivers and streams that ran year-round are choked by silt and no longer furnish water in the dry season.

Tree cover enhances water supplies, favorable microclimates, and the ability of soils to resist erosion. Yet in Africa the area cleared of forests each year exceeds by 29 to 1 the area where trees are deliberately replanted.

B. Needed Actions

The future productivity of African agriculture depends on a sound natural resource base. The trends of desertification and deforestation must be reversed and the growth in human populations greatly slowed.

In addition to greater support for voluntary family planning, actions are needed to reverse the degradation of the natural resource base. Environmental and social conditions in Africa -- including the weaknesses of national governments, the lack of transport and communications systems, the need for careful management of fragile soils and water supplies, and the existence of strong institutions at the village level -- dictate that these efforts must come from the bottom up, not the top down. The most important efforts must take place at the local level, with strong national support.

The U.S. Office of Technology Assessment has stated that "the technology most needed in sub-Saharan Africa should be low-risk, resource-conserving, small-scale, affordable (not capital intensive), locally produced and repaired, adapted to local labor availability, and consistent with traditional agricultural methods." U.S. assistance to Africa must foster these kinds of initiatives.

At the local level, what is needed is a multitude of small-scale efforts to increase food production in ways which protect and restore the natural resource base. These should include agroforestry, small-scale farms and gardens, and other innovative agricultural methods (including energy- and resource-conservation techniques and use of low-input, organic, or regenerative methods where feasible); check dams and terraces and other projects to prevent erosion or protect watersheds; tree planting for windbreaks, soil stabilization, or firewood; energy conservation and small-scale energy production to reduce consumption of firewood and animal wastes otherwise usable as fertilizer; and local health and training efforts.

These projects can only succeed when local people are involved at all stages of project design and management. There must be greater involvement of African women, who usually are the ones who actually labor in the fields. Projects should routinely include training and educations components designed to prepare local people to participate fully and to take over when foreign assistance ends.

Commonly, the best way to involve local people will be through local governmental organizations, such as village councils; local nongovernmental organizations; or U.S. private and voluntary organizations. A constant theme among aid agency personnel and others who have spent time on the ground in Africa is that projects administered by these types of organizations are most likely to succeed. African development must build on this field experience, so that these projects are not isolated examples but the norm.

We would emphasize especially the role which must be played by indigenous African groups. Village institutions in Africa are relatively strong. They must be involved in the planning and implementation of projects, and in their administration. Village people must be educated, trained, and otherwise prepared to carry on after external assistance comes to an end. The growing number of national and provincial indigenous nongovernmental organizations can help make this happen, as can international nongovernmental organizations like the Nairobi-based Environment Liaison Centre, the International Union for Conservation of Nature, and the World Wildlife Fund.

Purely local actions will not be sufficient to maintain and restore the natural resource base. The local projects just described must be backed up by efforts at the national level to establish or strengthen institutions such as environmental authorities, nongovernmental organizations, and soil conservation, agricultural extension, and forestry services; provide seeds, seedlings, energy-efficient and resource-conserving devices, and other needed materials; and create financial mechanisms to furnish credit to small farmers.

There is a need for training and education activities at the national as well as the local level. These should include support for African training and educational institutions; development of curricula; training and education through national institutions in Africa; establishment of cooperative relationships between U.S. and African educational institutions; support for natural resource managers to participate in conferences, courses, and the like; and training of trainers.

C. The Urgent Need for Congressional Direction

Congressional direction is required if these actions are to occur on the right scale. U.S. AID has supported some efforts of the right kinds with respect to both population and the environment, but not enough to make a real difference. AID appears to be supporting only a relatively few small-scale, local projects aimed at maintaining and restoring the natural resource base, despite the fact that both outside experts and its own technical advisers recommend that these be given a high priority. Only congressional direction can ensure the right level of effort in the face of budgetary pressures and competing priorities.

To ensure that AID steps up its efforts, the Congress must earmark funds for these purposes and provide guidance as to how it should be spent. NRDC urges this Subcommittee, in line both with the bill marked up by the Foreign Relations Committee and the Administrations own request, to require that AID spend at least $475 million on development assistance to Africa, and to require that at least 10% be spent in support of small-scale projects to maintain and restore the natural resource base in ways that increase agricultural production, not less than 10% on improving health conditions, and not less than 10% on providing increased access to voluntary family planning services. Strong report language should emphasize that the funds for natural resources and the environment are to be spent in the ways described above.

VII. Stopping Pesticide Abuse

AID and the Department of Agriculture's Animal and Plant Health Inspection Service (APHIS) are proposing a misguided project known as "MOSCAMED," designed to eradicate the Mediterranean fruitfly ("medfly)" from Guatemala by using local currency from the P.L. 480 "Food for Peace" program which AID administers jointly with the Department of Agriculture. The medfly has already been eradicated from Mexico using U.S. funds, and a "barrier" is being maintained in Guatemala to prevent reinfestation. The proposed project would cost $29.7 million over a four-year period, and would rely extensively on the pesticides malathion and ethylene dibromide (EDB).

Malathion is a broad-spectrum pesticide which could have adverse effects on honeybees, fish, and shellfish of commercial importance. It also could harm other potentially beneficial insect species and substantially reduce biological diversity. EDB is a potent cancer-causing agent that has been banned for domestic use in the United States. Because of this ban, produce treated with EDB might be unsuitable for export to the United States.

Using these pesticides to combat the relatively small risk of infestation in the United States by medflies from Central America is comparable to using an atomic bomb to demolish a building. Indeed, APHIS's 1985 "Feasibility Study" submitted to the Subcommittee on Agriculture, Rural Development and Related Agencies of this Committee recognized that the risk of a U.S. infestation from all of Central America is currently less than one-tenth that posed by produce imported from Hawaii. Yet through the Freedom of Information Act, we have obtained a USDA telegram (Attachment A) demonstrating that the United States on at least one occasion has pressured the Government of Guatemala to undertake pesticide spraying and treatment programs, despite that government's compelling public health and environmental concerns about malathion and EDB.

This Subcommittee should assure that all concerns about the health and environmental effects of these pesticides are resolved before additional preparations for the project take place. As required by its regulations, AID recently began preparation of an environmental assessment for MOSCAMED. NRDC has commented on AID's recently-released "scoping" document, which is intended to be a blueprint for the assessment.

AID's regulations require that an environmental assessment must "explore and evaluate reasonable alternatives" to a proposed project such as MOSCAMED. The scoping document, however, considers only the proposed MOSCAMED project and the "no-action" alternative of no program at all to combat medfly infestations. No other nonpesticide alternatives are mentioned. Despite the fact that the project anticipates the use of EDB, a fumigant prohibited in this country, the scoping document contains no mention of the health impacts of this carcinogen which can present a risk of cancer to workers as high as 1 in 5. Thus, if the environmental assessment proceeds as set out in the scoping document, it will give a highly biased picture of alternatives to the MOSCAMED project and will be fatally flawed when measured against AID's own regulations. This Subcommittee should act now to prohibit any further preparations for MOSCAMED.

We have received even more disturbing information about a related multilateral effort, coordinated by the UN Food and Agriculture Organization and known as "CAPMED," that would involve spraying of all of Central America as far south as the Darien Gap in Panama. Nearly half of CAPMED's $350 million cost would be for purchase of malathion and EDB. Moreover, APHIS's Technical Report found that "[b]enefits under the most optimistic assumptions do not outweigh costs." In other words, the project will be a waste of taxpayers' money. The project would not benefit Central America either. An AID document obtained by NRDC through the Freedom of Information Act states that "the real economic advantage of such a program to individual Central American countries is subject to question." Not surprisingly, the World Bank in September 1986 rejected a request to play a key role in CAPMED, citing environmental concerns (Attachment B). NRDC strongly requests this Subcommittee to halt this harmful and wasteful project.

CAPMED and MOSCAMED are but two examples of development assistance projects that involve the use of banned or severely restricted chemicals. For instance, my colleague David Wirth recently returned from Rwanda, where the insecticide aldrin, which is prohibited in the United States, is being used in an AID-sponsored tree-planting project. To prevent abuses, NRDC believes that federal agencies that support development assistance projects involving the use of pesticides that have been cancelled, suspended, withdrawn, or never approved for use in the United States should be required to justify the use of these chemicals to the public and the Congress in advance of the project's approval.

Another category of concern is so-called "restricted use" pesticides for which conditions are established at the time of registration in the United States. Often it is difficult or impossible for these conditions -- such as wearing protective clothing -- to be complied with in tropical climates. Federal agencies that finance or approve the financing of projects involving "restricted use" pesticides should be required to account to the public and the Congress in advance of undertaking the project. Insofar as possible, these requirements also should apply to agencies such as the Treasury and State Departments which oversee U.S. participation in international organizations -- such the World Bank, the Food and Agriculture Organization, and UN Development Program -- through which the United States indirectly underwrites such projects.

At the same time, AID, in cooperation with EPA, should provide substantially more assistance to build pesticide regulatory capacity in developing nations. This assistance should enable nations to assess environmental and health risks, enact and enforce laws and regulations, provide extension services, and train needed personnel. NRDC recommends that, as a first step in this process, this Subcommittee require AID to assess the adequacy of the pesticide regulatory capacity in selected AID recipient countries in each region and the potential for AID assistance to help these nations correct deficiencies.

VIII. Adequate Funding for Population Assistance

Overly rapid growth and environmental degradation in developing nations are inextricably linked. We cannot achieve sustainable development without stabilizing populations.

Last year the Congress recognized the importance of population assistance by appropriating $236 million for AID's efforts in this area during FY 87. Even this amount reflected a substantial decline from the FY 85 level of $290 million and the FY 86 level of $250 million. However, the Administration immediately siphoned off funds for unrelated activities, leaving a usable total of only $211-214 million. For FY 88, the Administration is requesting less on a worldwide basis (including amounts in the proposed Africa Fund) than last year's appropriation.

We think it essential that these crucially important activities be adequately funded. We urge this Subcommittee to appropriate for FY 88 at least the FY 86 level of $250 million, in addition to the amount spent in Africa, and to insist that this amount actually be spent on population assistance.

IX. The Multilateral Development Banks

A. U.S. Contributions and Needed Policy Reforms

The World Bank recently announced a major reorganization intended to strengthen substantially its environmental capacity and performance. The reorganized Bank will have a central environmental department with three units to deal with environmental issues that cut across the entire Bank, including continuation of the Bank's important work on evaluating long-term economic impacts on natural resources and analyzing the effects of macroeconomic policies on the environment. Environmental offices in each of the Bank's four regional divisions will be responsible for screening projects to avoid environmental disasters like those which have occurred in the past.

NRDC's first reaction to this recently announced reorganization is one of cautious optimism. Bank staff appear more receptive to suggestions from the public on environmental matters. The Bank has also initiated a dialogue on the role of nongovernmental organizations in project design and implementation.

On the other hand, we still have serious concerns about the implementation of the reorganization, which this Subcommittee should monitor very closely. It now appears that the total number of professional staff in environmental positions will be fewer than 50, less than half that originally announced by the Bank and significantly less than NRDC believes necessary for the Bank to carry out its new environmental initiatives. No improvement has been made in the crucial area of access to information. There has been no commitment to adopt systematic, mandatory environmental impact assessment procedures. And the Bank has repeatedly rejected suggestions from the Administration and the Congress to redirect its now-infamous "Livestock III" cattle ranching project in Botswana, despite the fact that all the ranches financed by the prior Bank-supported ranching project are now in default.

My NRDC colleague David Wirth recently returned from the African Development Bank's annual meeting, which included an all-day environmental seminar. The ADB, like the World Bank, is taking some promising steps towards environmental reform. Besides announcing increased attention to the environment at a policy level, the ADB seems receptive to additional measures to improve its environmental performance, such as hiring nationals from borrowing countries for environmental staff positions.

After being alerted by the U.S. public and the Administration to the environmental risks of its proposed irrigation project on the Nyando River in Kenya, the ADB appointed an environmental specialist to the project appraisal team. The ADB also sent its own mission to Botswana to investigate the environmental consequences of a cattle slaughterhouse proposed for financing.

By contrast, the Inter-American Development Bank (IDB) has made little progress in improving its environmental performance. The IDB's cavalier response to concerns of members of this Subcommittee, as well as those of the U.S. Executive Director, on its Porto Velho-Rio Branco Road project was appalling. The IDB, with an annual lending portfolio of more than $3 billion, has only one environmental specialist. That individual, moreover, has been hired only on a one-year contract. Clearly, the IDB has a long way to go in the areas of project quality and staff resources.

The IDB sponsored a meeting in May the goal of which was to sensitize borrowing country officials to the importance of environmentally sound planning. Although the Bank invited leaders of a number of nongovernmental organizations from Latin America and the Caribbean to that meeting, their recommendations were virtually ignored. The Bank has so far failed to take any additional concrete steps to ensure that environmental values are integrated into its planning.

Mr. Chairman, the Administration has requested a three-year U.S. financial commitment to the International Development Association (IDA) -- the "soft loan" window of the World Bank -- amounting to nearly $3 billion over three years. The first installment is part of an overall request for U.S. contributions to the MDBs totalling some $1.9 billion in FY 88. NRDC is a strong supporter of the underlying mission of the MDBs, and is convinced that they can adopt policies consistent with environmentally sound, sustainable development. Indeed, underfunding the banks could hamper their capacity to support environmentally beneficial initiatives. We therefore support the Administration's request.

However, we realize that at time of fiscal restraint it may not be possible for this Subcommittee to recommend an appropriation of the full amount requested by the Administration. Because the record of the IDB is far worse than that of the World Bank and the other regional banks, NRDC recommends that reductions be made in appropriations for the IDB before penalizing the other MDBs.

The process of reform in all the banks should not be left to chance. To ensure that U.S. MDB contributions are well spent, this Committee should couple its appropriations for IDA and other MDB accounts with explicit requirements that U.S. policy continue to encourage improvement in the environmental performance of the MDBs. Other committees, and particularly the Senate Foreign Relations Committee, are considering environmental reform legislation for the MDBs in this session. However, this Subcommittee should be prepared to continue its leading role of the past two years on this issue if necessary.

A cornerstone of U.S. policy with respect to the MDBs should be to encourage lending practices that preserve, enhance, and restore the environment and natural resources. However, a provision to this effect in appropriations legislation for the past two years has failed to increase appreciably the number of loans in this category. For this reason, the MDBs should be encouraged to establish lending targets for loans of this type. The United States should encourage MDBs to set targets of at least 20% of their annual lending for the preservation, restoration, or enhancement of the environment and natural resources.

This Subcommittee should establish a similar benchmark of 2% of total professional staff to be allocated to the environment and related fields. Even after the reorganization, the World Bank will fall short of this target. Even with addition if a new AID-financed position, the African Development Bank will have only three environmental staffers. Although devoting 2% of staff resources to this important issue might seem inadequate, in fact it would represent a major step forward for each of the MDBs of which the United States is a member.

This Subcommittee also should adopt a new provision instructing the United States representatives to these banks to vote against loans that may have significant adverse effects on the environment. Similar requirements are already in place in the case of loans to countries that have unacceptable human rights records, that have expropriated property of U.S. nationals, or that have failed to take adequate steps to halt international traffic in illegal drugs. The Treasury Department has already instructed the U.S. Executive Directors to the MDBs to vote against several loans on environmental grounds; has publicly announced that it will do so on at least one loan that has not yet been approved; and has set standards which, if not met, will trigger "no" votes in the environmentally sensitive livestock sector. This practice should be regularized through legislation. The ultimate goal, of course, is not to compel negative votes by U.S. representatives to the banks, but to send a clear signal to the staffs of these institutions that environmentally unsound loans should not be presented to their boards in the first place.

The information practices of the MDBs must also be reformed. At present, only capsule descriptions of projects are available to the public. Access to more detailed information, particularly before project approval, is critical -- especially within borrowing countries. The legal and policy justifications for secrecy are questionable. The Congress should instruct U.S. representatives to these institutions to press for much greater public access to information. Even governments do not receive detailed project descriptions until as little as 10 days before a vote. The United States should seek a lengthening of the governmental review period to a minimum of four weeks.

Sen. Kasten recently introduced legislation requiring the Secretary of the Treasury, in cooperation with conservation experts, to assess the loss of tropical forests and wetlands and potential future conservation strategies; calling for establishment of a World Bank program to encourage structural adjustment lending to promote sustainable use of tropical forests and wetlands; and calling for a World Bank pilot program to include conservation easements for any loans being renegotiated. NRDC strongly supports the objectives of this legislation. We urge this Subcommittee to include these provisions in the FY 88 appropriations bill.

B. AID "Early Warning" System

For several years, USAID has systematically collected economic information about proposed MDB loans from AID field missions and U.S. embassies. About a year and a half ago, AID also began to ask for environmental information. To encourage a more efficient and effective environmental "early warning" system, this Subcommittee wisely introduced the following reforms in appropriations language for FY 87:

- A requirement that the Executive Branch follow up reports of adverse environmental effects with inquiries to the MDB in question.
- A guarantee of public access to information collected through the system.
- Semiannual publication of a list of projects under investigation -- AID published the first list at the end of last year and supplemented it in March.
- An instruction to the Executive Branch to share the information collected with other governments.

The positive effects on of this independent information collection and oversight mechanism on the environmental performance of the MDBs can already be seen. NRDC strongly believes that this Committee should send a clear signal to the Executive Branch that effective operation of the "early warning" system should continue to be a high priority.

The system still has weaknesses. Several proposed projects on the current AID list that present severe environmental risks were not flagged through the AID system but were placed there by other federal agencies. These gaps result because at present the missions and embassies are required only to report on information already in their possession at the time of the request from Washington. To assure that the U.S. Government is obtaining independent information about all environmentally sensitive projects, this Subcommittee should require affirmative investigations for categories of projects -- such as dams, cattle projects, projects with effects on tropical forests and wetlands, resettlement and colonization schemes, projects involving the use of pesticides, and irrigation projects -- most likely to be environmentally harmful. Unless this is done, reporting on MDB projects from the field and the effectiveness of the "early warning" system will continue to be highly variable.

Last year's legislation instructs the Executive Branch to share the information collected through the "early warning" system with foreign governments. Although Executive Branch officials have described the system informally to their colleagues from other governments, there has been no systematic effort to satisfy this requirement. NRDC has suggested (1) that all overseas embassies and missions receive a description of the operation of the system and a copy of the current list, with instructions to explain the system and the list to host country officials by means of personal meetings; and (2) that the U.S. Executive Director to each of the multilateral banks hold a seminar for his or her colleagues representing other governments to explain the system and the list. We hope this Subcommittee will make it clear to the Executive Branch that these actions are necessary to comply with the statutory requirement.

X. Conclusion

By acting in the ways we have recommended, this Subcommittee can ensure that the United States provides the leadership essential to solving global environmental problems. We urge you most strongly to take these actions so important to the future of the earth.

CHANGING WORLD COMMUNITY ATTITUDES

Senator HARKIN. Mr. Stoel, thank you very much for a very comprehensive and yet very succinct statement on these issues involving the U.N. Envirornment Programme and others.

You said that the world community won't commit the necessary resources to make the necessary policy changes. Is this due to a lack of information and understanding, and how can this committee change the commitment of the world community?

~~Mr. STOEL.~~ I think it is due in part to a lack of understanding and we can only try to get the word out. I think that is being done more effectively these days.

As far as changing the attitudes of the world community, I think we should not underestimate the effect of U.S. leadership. The United States has largely been in retreat on these issues since the advent of the Reagan Administration and that has had a tremendous effect on the level of activity around the world.

In the 1970's, we were largely in the lead on most of these issues and we were putting our money where our mouth was, as in the case of the U.N. Environment Programme, and that made a real difference.

I think the first thing to do is to look at our policies and funding levels in these areas and as suggested in the testimony. These are not problems that will go away. If we save money in fiscal year 1988 we are going to have to spend large amounts more in the future to solve them.

Senator HARKIN. You are urging this subcommittee to earmark $10 million for these activities in fiscal year 1988?

Mr. STOEL. For the U.N. Environment Programme, yes, sir. We think that would be a minimal level to let UNEP do an adequate job. The payoff the United States on problems like ozone depletion and global warming has to be in the billions and billions of dollars.

Senator HARKIN. Ten million dollars was the level of funding in the last decade of the 1970's; right?

Mr. STOEL. Yes, sir. Historically that has been the level and, of course, it is less than that with inflation nowadays, but that was the absolute maximum.

Senator HARKIN. And then pressed us for $4.8 million.

Mr. STOEL. That is right. I didn't even want to mention that figure, it is so ridiculously low.

Senator HARKIN. Anything else, Mr. Stoel?

Mr. STOEL. No.

Senator HARKIN. Mr. Wirth, do you have anything?

Mr. WIRTH. No.

Senator HARKIN. Thank you both very much for your testimony.

Our next witness is Elizabeth Raisbeck of the National Audubon Society.

Ms. Raisbeck, welcome to the subcommittee. Your statement will be made a part of the record. As you know, we have 10 minutes, so please proceed.

NATIONAL AUDUBON SOCIETY

STATEMENT OF ELIZABETH RAISBECK, VICE PRESIDENT, GOVERNMENT RELATIONS, NATIONAL AUDUBON SOCIETY

SOCIETY ACTIVITIES

Ms. RAISBECK. Thank you, Senator.

Good morning. My name is Elizabeth Raisbeck. I am Vice President for Government Relations of the National Audubon Society.

Audubon is an environmental organization with more than 550,000 members in the United States and abroad. Since its founding in 1905, the National Audubon Society has included international conservation as an integral part of its environmental conservation programs.

Since 1979, the Audubon Society has maintained an active program focused on global population growth. I would like to focus my testimony today on population and international natural resource issues before this committee, particular emphasis on our agriculture development policies.

POPULATION AND FAMILY PLANNING PROGRAM

On population and family planning this year, we have officially marked the level of 5 billion members who have joined the human race. Never in history have so many people competed for so few resources. Projections to the future are really awesome. In just 13 years, the year 2000, there will be more than 6 billion people in the world. Between 2050 and 2100, there will be 10.2 billion people. More than twice as many as today.

Family planning and child spacing have proven to be effective in countries where host government encourage these policies. Major orientation within U.S. assistance has been service delivery combined with research, training and policy planning.

The family planning program within the U.S. AID has been and continues to be one of the most effective forms of foreign assistance to date. Unfortunately, it continues to be underfunded and under attack. It has been only with the steadfast support of the Congress that the population and family planning program continues to thrive and for this we all express our deep appreciation.

However, this year the combination of deficit reduction, dwindling foreign aid budget and competing foreign assistance priorities bring the budget for family planning to an all time low since 1983. The practice of taxing accounts to cover other agency costs has decreased still further the funds available for family planning.

For example, in fiscal year 1987, $18.3 million was transferred from the population account to other agency cost centers. This left only $216.2 million for actual program expenditures.

The United States has further reduced its effectiveness by abandoning participation in multilateral institutions like the U.N. Fund for Population Activities and the International Planned Parenthood Federation.

POPULATION ACCOUNT

This year the administration has proposed $207 million for the population account. Within the proposed Development Fund for Africa there appears to be an additional approximately $18 million for population programs. Therefore, the total request comes to $225 million.

We believe this to be totally inadequate in view of the growing demands for family planning in Africa alone. The African Bureau of Congressional Presentation proposes 38 bilateral development activities for fiscal year 1988 and major long term assistance for Nigeria, yet funds do not appear to be allocated in the country program statements or in the regional account.

Realizing there are insufficient funds available for foreign assistance, we hope Congress will appropriate not less than $290 million for population; $40 million for Africa and $250 million for the rest of the account. The amount for Africa should include bilateral funds as well as funding for population activities in Africa through the Central Office of Population in the Section 104 account.

BIOLOGICAL DIVERSITY

Moving on to biological diversity, I think this committee has been well acquainted in recent years with issues of the destruction of tropical forests. More than 80,000 square kilometers of tropical forests are converted to non-forest use every year, with one-and-a-half times that much damage in some way. At the current rates, 12 percent of the remaining tropical forest will be gone by the year 2000.

Last year, in recognition of the destruction of tropical forests and the resulting potential loss of biological diversity, Congress added instructive language and an earmark of $2.5 million to the foreign assistance legislation.

For fiscal year 1988 we are requesting a $10 million earmark in the agriculture account for biological diversity projects. This is a very small amount considering the importance of sustaining diversity for both food and medical purposes now, and perhaps for our future survival.

Population growth is, of course, a major factor in the tropical forests problem, stimulating the spread of slash and burn agriculture, which is the major cause of outright forest loss today. Just producing more and more quantities of food, however, without adequate consideration of the population problem with growth rates and the need for protecting the natural resource base will spell disaster in the long run.

AFRICAN ASSISTANCE

With this in mind, we endorse the testimony of the Natural Resources Defense Council concerning the appropriation of at least $475 million to development assistance in Africa, with at least 10 percent of that amount to be spent in support of natural resource enhancement projects.

AID PROBLEMS

We are pleased to see that the administration has been gradually giving more attention to the importance of appropriate technology and AID problems.

I am going to skip the section on low and high interests in my text, but just to comment briefly, important development of recent redesign of the U.S. AID's Agriculture, Rural Development and Nutrition program objectives is to be applauded.

In the Congressional Presentation for fiscal year 1988, new language has been added to the effect that AID will support agriculture systems that are productive, sustainable and environmentally sound. The Fragile Lands Project is an example of this approach.

However, the ultimate aim of the agency, its supporters and contractors, must be to ensure that all agriculture projects are ecologically sound. As a consequence, all current projects should be reviewed to ascertain what modifications might be needed to accomplish that goal.

I can't stress enough the importance of continued congressional oversight on AID, with the future of their agricultural projects. We think that they are moving in the right direction but, as in most bureaucracies, the movement is slow and continued oversight and pressure from Congress to move into the direction of low tech, locally oriented projects and moving away from high tech, large-scale projects is really needed.

Finally, I want to strongly endorse the comments of Tom Stoel of NRDC on the importance in funding the UNEP program. The U.N. Environment Programme has been one of the really great leaders in recent years on international environmental efforts. No organization really has shown greater leadership than they have worldwide.

The effectiveness of UNEP was confirmed in the recent report to the U.N. by the World Commission on Environment and Development, which recommended that UNEP "should be strengthened as the principal source on environmental data, assessment, and reporting and as the principal advocate and agent for change and international cooperation on critical environment and natural resource protection issues."

We are asking that $12 million be appropriated for this agency in recognition of the important role it must play in helping developed and developing countries find cooperative ways of coping with an increasingly polluted and resoures-depleted future.

Some of the really pioneer projects that UNEP has done, just to mention because they are not in my testimony, is the regional seas program in the Mediterranean they are now moving that into Caribbean to have international cooperation for protecting key ocean areas. They were the lead organization for completing the recent Ozone International historic Ozone Agreement. They are doing pioneering women, work with local women in natural resources and development, and very important cooperative work with the Environmental Ministries.

That concludes my statement here and I would be happy to answer any questions that you may have.

[The prepared statement of Ms. Raisbeck follows:]

National Audubon Society

Prepared Statement of
Elizabeth Raisbeck
Vice President, Government Relations

I. Introduction

Mr. Chairman, I appreciate the opportunity to testify before this Committee concerning funding levels for the U.S. Agency for International Development. I am Elizabeth Raisbeck, Vice President for Government Relations from the National Audubon Society. Audubon is an environmental organization with more than 550,000 members across the U.S. and abroad. Audubon is committed to rational policies concerning the health and welfare of the nation and the world.

The National Audubon Society adopted an action agenda some years ago on major environmental concerns. It is based on the conviction that humankind is both a part of the ecological system of the Earth and the steward of its environmental health and vitality. Included in the five major goals of the action agenda is the following: To seek solutions for global problems involving the interaction of population, resources and the environment.

This statement, adopted by the Audubon Board of Directors, has been translated into population, resource and environmental programs that share a basic philosophy of connecting citizens in a tangible way to international activities and projects.

Since its founding in 1905, the National Audubon Society has included international conservation as an integral part of its environmental conservation program. And since 1979 the National Audubon Society has maintained an active program focussed on global population growth. The interaction between the two is evident in any issue we might want to discuss.

In my testimony today, in addition to these two components of a long term sustainable development strategy, I would like to focus on our growing concern with agricultural development policies, particularly as they relate to population growth and environment, and on the important role of the United Nations Environment Programme.

II. Population and Family Planning

Today we have more reliable demographic data than at any time in our history. Methodologies and assistance for collecting and publishing statistics on births, deaths and morbidity have improved substantially. For the most part our previous projections have proven correct.

This year we have officially marked the level of 5 billion members of the human race. Never in history have we been able to ensure survival of babies and an increase in life expectancy. However, at the same time the drop in the death rate brought on by improved techniques of and access to health care, have created a situation where more people compete for decreasing or static resources and services.

The projections are awesome. In thirteen years, 2000, there will be more than 6 billion people in the world. Between 2050 to 2100 there will be 10.2 billion people, more than twice as many as today. And most of these people will be in what we call "the developing countries". Brazil will have more inhabitants than the United States. Nigeria at stabilization will have a population the size of the whole continent of Africa today. India will be larger than China.

Although the numbers are startling, the images of human suffering will be horrifying. Significant advances required for maternal and child health care and nutrition will be almost impossible for many countries which are already embattled by mounting external debt.

Family planning and child spacing have been proven to be effective in countries where host government policy is cooperative. The major orientation within U.S. assistance has been service delivery combined with research, training and policy planning. The family planning program within the U.S. Agency for International Development has been and continues to be one of the most effective forms of foreign assistance to date. Unfortunately, it continues to be underfunded and under attack. It has been only with thesteadfast support of the Congress that the population and family planning program continues to thrive, and for this we all express our deep appreciation.

However, this year the combination of deficit reduction exercises, a dwindling foreign aid budget and competing foreign assistance priorities brings the budget for family planning to an all time low since 1983. The practice of "taxing" accounts for other Agency costs has decreased available funds as well. For example, in fiscal year 1987 $18.317 million was transferred from the population account to other Agency cost centers. This leaves $216.228 million for actual program expenditures.

The U.S. has now forfeited its ability to increase its effectiveness through the participation in multilateral institutions like the United Nations Fund for Population Activities and the International Planned Parenthood Federation.

The Administration has proposed $207 million for the population account. Within the proposed Development Fund for Africa there appears to be an additional approximately 18 million dollars for population programs in that continent. Therefore, the total request for monies to be spent on population and family planning activities is $225 million.

We believe this to be totally inadequate in view of the growing demands for family planning in Africa alone. The Africa Bureau Congressional Presentation proposes 38 bilateral development actitivities for FY 88 and major long term assistance for Nigeria, yet funds do not appear to be allocated in the country program statements or in the regional account. Realizing that there are insufficient funds available for foreign assistance, we hope that Congress will appropriate not less than $290 million for population: $40 million for Africa and $250 million for the rest of the account. The amount for Africa should be bilateral funds in addition to the funding for population activities in Africa provided by the Central Office of Population within the Section 104 account.

III. Tropical Forests and Biological Diversity

Each year 85 million people are added to the world population. At the same time 80,000 square kilometers of tropical forests are converted to non-forest use, with one and one-half times that much damaged in some way. At the current rates twelve percent of the remaining tropical forests will be gone by the year 2000.

The tropical forests are concentrated in Central and South America, coastal West Africa and temperate South Asia. They are primarily located in developing countries which are trying to raise their economic status, as well as feed their population. Population doubling times for these countries range from 20 years in Nicaragua to 44 years in Gabon. Even the most conservative estimates are that forest regeneration will take 50 years.

Perhaps the most dramatic consequence of this deforestation is the loss of biological diversity. The greatest diversity is in the tropical forests, particularly rich in uncatalogued species of plant and animal life. Until the mid-1960s the number of species on earth was estimated at around 3 million. Only half of this total had been identified. Scientists today estimate that the percentage of unidentified species in the Amazon forest alone may represent 30 to 50 percent of the number of species present on earth.

Besides animal species, birds and reptiles, the wild plants form important gene pools for agriculture and medicine. Already plants from tropical forests are providing drugs used in the treatment of cancer. In fact one quarter of the pharmaceuticals produced in the world are derived from tropical plants. We know the importance of some tropical forest plants, such as cacao, coffee, bananas, mangoes and citrus, and those that produce quinine, tranquilizers and cancer treatments. Scientists have not even named five out of six tropical plants, much less determined their potential uses.

Last year in recognition of the destruction of tropical forests and resulting potential loss of biological diversity Congress added instructive language and an earmark of $2.5 million to the Foreign Assistance legislation. For FY 1988 we are requesting a $10 million earmark in the agriculture account for biological diversity projects. This is a very small amount considering the importance of sustaining diversity for both food and medical purposes now and perhaps for our future survival.

IV. Sustainable Agriculture/African Natural Resource Projects

Population growth is a major factor in the tropical forest problem, stimulating the spread of slash and burn agriculture which is the major cause of outright forest loss today, as it has been throughout most of human history. Increased food production is dependent on land, preferably productive land. Agricultural technology attempts to increase effective use of the available land to maximize it productive capacity, but there are limits to the land and to its productivity. Just producing greater and greater quantities of food without adequate consideration of population growth rates and the natural resource base spells disaster in the long run.

With this in mind, we endorse the testimony of the Natural Resources Defense Council concerning the appropriation of at least $475 million to development assistance in Africa with at least 10% of that amount to be spent in support of natural resource enhancement projects.

In 1984 the Food and Agriculture Organization published a study on agriculture sustaining capacities of countries throughout the world. The study, co-sponsored by the United Nations Fund for Population Activities and the International Institute for Applied Systems Analysis, found that by the year 2000 population growth in developing countries would double the demand for food and agricultural products.

The study assesses countries on the basis of levels of inputs of modern technology. Low inputs, for example, would consist of basic subsistence farming. By the year 2000, 64 countries -- more than half the total studied -- would be unable to feed their expected populations from their own land resources with low inputs.

High level inputs assume complete mechanization, full use of optimum genetic material, necessary farm chemicals and soil conservation measures, and cultivation of only the most calorie productive crops on all potentially cultivatible rainfed lands.

This complex of requirements present two basic problems. One is economic, as pointed out by Lester Brown and Jodi Jacobson in their recent World Watch Institute Paper No. 74. No effort was made in the U.N. study to determine whether the investment needed for the various input levels will be available. For countries already under enormous debt repayment pressures as well as the strains of accommodating the social needs of their populations, modern technology may be too expensive.

The problem from the ecological side with high level inputs is that more often than not it is modern technology which has contributed to the problems of soil erosion, desertification and loss of topsoil. The Administration's request for agriculture is not at issue as much as the underlying principles surrounding the formulation of agricultural policies. A recent redesign of the U.S. Agency for International Development's Agriculture, Rural Development and Nutrition program objectives is to applauded. In the Congressional Presentation for Fiscal Year 1988 new language has been added to the effect that A.I.D. will support agriculture systems that are productive, sustainable and environmentally sound. The "Fragile Lands" project is an example of this approach. However, the ultimate aim of the Agency, its supporters and contractors, must be to ensure that all agriculture projects are ecologically sound. As a consequence all current projects should be reviewed to ascertain what modifications might be needed to accomplish that goal.

V. United Nations Environment Programme (UNEP)

Investigation and action on most of the environmental issues discussed above have been catalyzed by the United Nations Environment Programme. The effectiveness of UNEP was confirmed in the recent report to the UN by the World Commission on Environment and Development, which recommended that UNEP "should be strengthened as the principal source on environmental data, assessment, and reporting and as the principal advocate and agent for change and international cooperation on critical environment and natural resource protection issues." We are asking that $12 million be appropriated for this agency in recognition of the important role it must play in helping developed and developing countries find cooperative ways of coping with an increasinglypolluted and resource-depleted future.

VI. Conclusion

Recently a letter from Dr. Warren G. Abrahamson, Acting Chairman, and David Burpee, Professor of Plant Genetics at Bucknell University, came to my attention. Dr. Abrahamson was responding to correspondence from a member of the clergy concerning the impacts humans have on the planet.

"As a professional ecologist, I share your deeply felt frustration with the plundering of the Earth's resources. The clergyman, Thomas Malthus, showed great insight when he wrote in 1798 that the human population, unless checked by disease, famine, war, pestilence, or conscious control, would increase until there was standing room only. Although the human population has a long way to go before reaching 'standing room only', our numbers have increased exponentially over the past two hundred years. This coupled with technological advances has greatly increased the impacts of each individual human as well as the adverse effects of the human population in general. The bottom line is that humans are having marked negative effects on virtually every ecosystem on Earth. Even remote arctic and alpine ecosystems are altered as human activities lower the pH of the Earth's precipitation (acid rain), increase the atmosphere's carbon dioxide content (burning of fossil fuels), or impact the ozone layer (important to reduce the amount of ultraviolet light reaching our planet's surface). The increase in world trade has brought about the destruction of many South American tropical forests to supply timber and agricultural products like black pepper and coffee. Our fast-food restaurants purchase beef produced from marginal pasture lands cut out of tropical forests.

The Earth's ecosystem is, fortunately for us, for the most part resilient. If given a chance, it can recover from major impacts. I do not believe that humans want to destroy the Earth and the chance for humanity to survive. The problem seems to be separating short-term gains from long-term survival."

The ecosystem is resilient. That is true within our historical experience. What we are facing for the first time is unprecedented numbers of people who are using and misusing their natural heritage either for luxury (the developed world) or for survival (much of the developing world). The concept of sustainable development is not new to the environmental community. It is becoming more relevant to the development community and those planners who have a global perspective. Sustainable development must become most relevant to foreign policy objectives for economic assistance, otherwise we may end up defeating ourselves.

Short-term gains in agriculture production may not ensure long-term survival if it is at the expense of the natural resource base. Impact through family planning on population growth rates is a long-term commitment necessary for survival. The investments we make today will determine the kind of world we leave for our descendants, but it also will make a major difference in the lives of those inhabitants of the earth right now.

Senator HARKIN. Elizabeth, thank you again for a very fine statement, and my own personal thanks to you and to the Audubon Society for all the fine work you have done over all these years to draw our attention to the fragile balance between the growth of the human population and the effects it is having on our ecosystems throughout the world.

The Audubon Society has always been at the forefront of the conscientious and conscious effort to focus public attention on this issue. I just want to thank you very much.

Ms. RAISBECK. Thank you for those kind words.

Senator HARKIN. Our next witness is Mr. Thomas Dine, Executive Director and Doug Bloomfield, the Legislative Director of the American Israel Public Affairs Committee, AIPAC.

Mr. Dine welcome to the subcommittee and as I said before your statement will be made a part of the record, and we have 10 minutes.

AMERICAN ISRAEL PUBLIC AFFAIRS COMMITTEE

STATEMENT OF THOMAS A. DINE, EXECUTIVE DIRECTOR, AMERICAN ISRAEL PUBLIC AFFAIRS COMMITTEE

ACCOMPANIED BY DOUGLAS M. BLOOMFIELD, LEGISLATIVE DIRECTOR, AMERICAN ISRAEL PUBLIC AFFAIRS COMMITTEE

U.S.-ISRAEL RELATIONS

Mr. DINE. Thank you very much, Mr. Chairman, and thank you for this opportunity of testifying. You have already recognized AIPAC's Legislative Director, Doug Bloomfield.

We very much appreciate this committee's historical support of Israel and in particular annual military economic aid to Israel, supplemental aid plus friendship and good advice.

The efforts by the Chairman, Ranking Member and Senators on this subcommittee to build a bipartisan constructive coalition to protect the foreign assistance program deserves special mention and thanks as well.

U.S.-Israel relations to date, Mr. Chairman, are steadfast and strong. Israel has repeatedly demonstrated its willingness to support American efforts in the Middle Eastern region in joint naval exercises with the Sixth Fleet, in providing facilities for storage and maintenance of U.S. materiel for prepositioning, in formal arrangements to provide access to its sophisticated hospital facilities, which we pray will never again be needed, and in staging joint military exercises with special anti-terrorist forces.

PERSIAN GULF PRESSURES

This is in sharp contrast with Saudi Arabia and Kuwait, whom we are currently assisting in the Persian Gulf, but who refuse to provide us with basing rights. For instance, just yesterday, it was announced that the Pentagon is sending eight mine sweeping helicopters to Diego Garcia in the Indian Ocean, where they will be put onboard the helicopter carrier Guadelcanal, which will then take them to the Persian Gulf.

We have never before sent any carriers into the Gulf, because they would be vulnerable to attack due to the relatively cramped operating space of their support vessels. We are now forced to take these unnecessary risks because the Saudis and Kuwaitis and other so-called "friends" will not permit stationing these helicopters on their soil to protect sealanes for their own tankers. Nor have those countries granted aircraft landing rights, which makes the task of protecting the reflagged tankers extremely difficult. Indeed, the Saudis have periodically worked to dissuade other Gulf States from cooperating with our regional defense initiatives.

Today, their level of cooperation is limited even though their own fortunes are the ones being protected. Fortunately, the U.S.-Israel relationship is a more successful story.

This committee, the Senate and the House as well as the President, Secretary of State and Secretary of Defense are part and parcel of the broadened and deepened institutionalized bilateral relationship that has emerged in the last years. A full fledged military and political alliance is on its way.

An area where both Washington and Jerusalem are on track is in the constant search for a reconciliation and peaceful coexistence between Israel and its Arab neighbors, particularly expanding the peace with Egypt and extending to include Jordan. Both the United States and Israel agree that direct negotiations are the key to success.

While we have all heard and read much about the means to this end, there is a less visible part of the peace process which I want to highlight for the members of this committee.

WEST BANK ECONOMIC DEVELOPMENT

The current peace seeking process includes encouraging economic development on the West Bank. AIPAC strongly supports increased U.S. funding for the West Bank Development Plan that King Hussein of Jordan with U.S. backing has put forward.

Allow me to return to the essential question, Mr. Chairman, why aid to Israel? Why aid to Israel at a time of budget restraints that this country is faces?

I think the most important consideration is Israel's value to the United States. This includes shared moral and democratic values as well as the strategic cooperation I mentioned earlier. Israel is a critical investment with positive tangible returns for the United States. It is a wise policy decision.

Israel, as we all know, is a functioning democracy. It is the only one the Middle East. Aid strengthens a reliable democratic ally who can thereby help the United States in promoting and defending our interest. For instance, military aid to Israel prevents any further erosion in Israel's narrowing margin of security.

We are all aware of arms sales by the United States, by the Europeans, and by the Soviets, to Israel's enemies. Economic aid to Israel has helped Israel on its road to economic recovery.

AID TO ISRAEL WORKS

Economic stabilization has been successful as a program. Inflation is down from 450 percent 2 years ago, to 0.5 percent in May and June and to 1 percent in July. Foreign currency reserves are up from the perilous $2 billion redline to $4.5 billion. Unemployment is down and due to reductions in the budget deficits, the government of Israel has not printed a single additional Shekel since July, 1985.

Economic growth in Israel is the next step. In the aftermath of Camp David, high interest FMS loans to both peacemakers, Israel and Egypt, came at a time of record high interest rates in the United States. As a result, both countries were saddled with loans that strained their economies to the breaking point. Repaying these high interest loans, which Israel has consistently done, is an added burden to Israel's strapped economy. This is a problem facing other high interest debtor nations as well.

We especially appreciate the efforts of Chairman Inouye and ranking minority member Senator Kasten in exploring creative ways in which high interest debtor nations, like Israel, can take advantage of the low interest rates that currently exist in the financial market to refinance these high interest loans.

This subcommittee's willingness to explore every option and to avoid foreclosing any option that might be available for Israel and other nations is heartening. We hope to work closely with you and your staffs in finding a solution to this difficult problem.

In sum, Mr. Chairman, AIPAC advocates a fully funded foreign aid program for various parts of the world in which U.S. interests are advanced. AIPAC obviously supports aid to the Camp David countries, particularly Israel.

I would like to emphasize the importance of the West Bank Development Program for Jordan as well as the need to find creative debt restructuring measures. All of these are vital in furthering America's humanitarian and geopolitical interests.

Thank you.

[The prepared statement of Mr. Dine follows:]

STATEMENT BY
THOMAS A. DINE, EXECUTIVE DIRECTOR
AMERICAN ISRAEL PUBLIC AFFAIRS COMMITTEE (AIPAC)

Thank you, Mr. Chairman, for the opportunity to testify before this distinguished subcommittee on behalf of aid to Israel. Appearing with me is Mr. Douglas Bloomfield, AIPAC's Legislative Director. The American Israel Public Affairs Committee (AIPAC) appreciates the opportunity to express its views on the proposed Foreign Assistance Act for FY 1988 and the importance of U.S.-Israel relations.

AIPAC is a domestic organization of American citizens who value a close and consistently strong partnership between our country and Israel. On our Executive Committee sit the presidents of the 40 major American Jewish organizations representing more than four and one-half million members throughout the United States.

The FY 1988 foreign assistance appropriations request of the Administration reflects true needs for U.S. foreign policy. It addresses current circumstances in key global spots; it is fiscally responsible; it tries to redress some of the severe cuts in the 150 budget function over recent years. Economic and military aid serves our national interest--both at home and abroad. Your efforts, Mr. Chairman, and those of your predecessor, Senator Kasten, to build a bipartisan, constructive coalition to protect the foreign assistance program deserve special mention and thanks.

The U.S. has a particular moral and strategic interest in Israel, the one democracy and our only reliable ally in the Middle East. It is the only country in the region with meaningful free elections, a robust free press, checks and balances to prevent and correct abuses of authority, extensive protections for the rights of individuals and minorities, basic equality for women, and other safeguards and rights that are typical of a free society. It stands in sharp contrast to other countries of the region, which include feudal monarchies like Saudi Arabia, where all power is permanently concentrated in the hands of a few wealthy princes and where average citizens are under constant surveillance by the religious police and internal security forces; dictatorships like Syria, where the government slaughtered 10,000 of its own citizens five years ago; or radical fundamentalist regimes like Iran, which terrorizes its minorities, suppresses its middle class, and ships off its youth to be slaughtered in a meaningless war.

In poll after poll for nearly 40 years, the American people have resoundingly reaffirmed their sympathy for the Jewish state and their conviction that Israel is a democratic ally whose security and well-being are vitally important to the United States. The absolute amount of our aid to Israel is substantial, but it is comparatively one of the most cost-effective investments that the United States makes in support of its common interests. U.S. expenditures in support of our European allies in NATO, for example, are more than 40 times the size of our aid to Israel. And we get a good return on our money to Israel.

Mr. Chairman, we are meeting at a time when the relationship between the United States and Israel is steadfast and strong. There is a deep, broad-based partnership; a full-fledged political and military alliance is emerging.

Significantly, Mr. Chairman, we are partners for peace. In the search for peace with its neighbors, Israel's National Unity Government continues to explore the best way to build upon the bold initiatives taken last year in close coordination with the United States. This holds true following the smooth transfer of power in October from the Labor Party's Shimon Peres to the Likud's Yitzhak Shamir.

The past year witnessed several encouraging developments in this respect. In July 1986, we saw the historic public meeting between an Israeli Prime Minister and an Arab head of state for only the second time in the nearly four decade-old Arab-Israeli conflict. Prime Minister Peres' summit in Ifrane with Morocco's King Hassan II, then chairman of the Arab League summit conference and the Islamic Conference Organization, demonstrated the willingness of Israel's leaders to go anywhere and discuss any proposal to resolve the conflict.

Soon thereafter, following Vice President Bush's mission to the region, Israel and Egypt announced the completion of a draft arbitral compromise to resolve the Taba border dispute. Israel's significant concessions to the Arab side on this matter facilitated the first summit ever between President Mubarak and an Israeli Prime Minister and led to the return of Egypt's ambassador to Israel following a four year absence. The visit to Israel last week by Egypt's Foreign Minister, Ismat Abd al-Meguid, is yet another encouraging step in improving relations between the two nations.

It is Israel's policy--and hope--that these advances would create the necessary conditions for King Hussein to come to the negotiating table with Israel's leaders. Both Premier Peres and his successor, Yitzhak Shamir, have extended the hand of friendship to Hussein, repeatedly calling on him to enter direct negotiations without preconditions on the basis of United Nations Resolutions 242 and 338. In an effort to help meet the King's preconditions, the Government of Israel continues to seek a formula for international accompaniment to direct negotiations with Jordan and has declared its readiness to sit down with Palestinian participants who are not associated with terror. Peace has not, however, been pursued. The King has directly participated in repairing relations with his northern neighbor, Syria, the foremost rejectionist in the region. The King has cooled his contacts with the PLO's leadership, but has allowed the PLO to exercise a veto over his entering into direct negotiations with his western neighbor, Israel.

The Government of Israel has continued to work closely with Secretary of State Shultz in adopting tangible measures to improve the quality of life for the inhabitants of the West Bank and Gaza--permitting the opening of an Arab bank in Nablus; granting increased numbers of family reunification permits; expanding the territories of 15 West Bank towns, and, most important, completing the return of the reins of municipal government to the local Arab inhabitants. The Israeli Government, in cooperation with the United States, is now pursuing a $500 million economic development plan for the territories.

And, despite the rejection of direct negotiations by each of Israel's Arab neighbors except Egypt, Foreign Minister Peres continues to seek ways to promote a peaceful environment through economic development under a multiyear, large-scale "Marshall Plan" for the Middle East. This plan's farsighted purpose is to help those Arab neighbors of Israel (Egypt, Jordan, Lebanon and Syria) who are now suffering seriously from the recession in the Arab world brought on by the collapse of oil prices, and thereby to create a regional environment more conducive to peaceful coexistence.

King Hussein, for his part, has sought to implement an ambitious, $1.4 billion development plan to upgrade the skills, abilities, and incomes of Palestinians in the territories in an effort to promote a moderate influence and leadership there more likely to engage in a peace process. This plan dovetails with the goals of the "Marshall Plan," and, coupled with the Israeli measures already in place, could serve as an essential building block for peace by nurturing a stable Palestinian leadership in the territories with a stake in coexistence with Israel.

Yet this fledgling process is in jeopardy: First, Saudi Arabia and Kuwait have actively moved to undercut King Hussein and bolster Arafat's PLO by donating $9.5 million and $5 million, respectively, to revive a committee dedicated to promoting PLO influence in the territories. This is the very organization that reaffirmed its commitment to "armed struggle"--the PLO's euphemism for terror--and again rejected U.N. Security Council Resolution 242, the internationally-accepted basis for any negotiation, at its April 1987 Palestine National Council meeting in Algiers. Second, the plan itself suffers for lack of funds. Even though it is the brainchild of Secretary of State Shultz, the Administration has only requested $7 million in FY 1988; allocations over the last two years came to $19.5 million, largely as a result of Congressional initiatives. Taking their cue from Washington, the Europeans have been particularly reluctant to contribute serious money to the effort. Because this plan is critical to creating an environment conducive to peace in the territories, AIPAC strongly supports increased U.S. funding for the West Bank development plan and calls upon our European allies and Japan to contribute substantially as well.

But to achieve peace and maintain it requires strength, particularly in the Middle East where the forces of radicalism must be deterred. In this area, too, the United States and Israel are strategic allies.

This was best symbolized during Prime Minister Shamir's February visit to Washington with its special emphasis on Israel's status as a major non-NATO ally, along with Japan, South Korea, Australia, and Egypt. This Congressional provision, signed into law by President Reagan in the FY 1987 Defense Authorization bill late last year and recently reiterated in letters to Congress from Secretary Shultz and Secretary Weinberger will better enable the two nations to expand the scope of strategic cooperation. This is not an area of special benefits, grants or loans. Rather, it is a logical extension of the alliance which has blossomed since November 1983 when the United States and Israel enunciated the policy of expanding cooperation, particularly joint military planning and exercises, to meet threats to mutual interests in the Middle East and the eastern Mediterranean. I hope we will continue to expand this effort particularly in light of heightened U.S. interests in the Persian Gulf region.

Israel has participated in joint naval exercises with the Sixth Fleet designed to strengthen U.S. antisubmarine warfare capabilities in the eastern part of the Mediterranean Sea. It has provided access to its ports for regular ship visits by the Sixth Fleet. Indeed, when the President ordered a naval task force to the region earlier this month, elements of that fleet, led by the carrier USS John F. Kennedy, called on the port at Haifa. During his recent visit, Prime Minister Shamir renewed Israel's offer for continued use of Haifa port by all U.S. Naval forces in the region.

Israel has made facilities available for the storage and maintenance of U.S. materiel for American use in a conflict. It has provided Kfir aircraft to the U.S. Navy's Aggressor Squadron and to the U.S. Marine Corps to help train American fighter pilots. It has provided access to bombing ranges in the Negev desert for training exercises for U.S. Navy fighter pilots. It has engaged in military training exchanges with the U.S. Marines. It has staged joint military exercises with American special anti-terrorist forces.

Israel has entered into formal arrangements to provide access to its sophisticated hospital facilities for U.S. military casualties in a conflict. These facilities have already been used to treat U.S. personnel injured in the bombing of the U.S. Embassy Annex in east Beirut and on several other occasions.

Israel has shared with the United States the lessons of its combat experience in Lebanon, where Israel successfully used American equipment against Soviet weapons. It has undertaken joint research and development projects with the Pentagon to build on the technological expertise acquired from decades of conflict.

Israel has signed a formal agreement with the United States to participate in the Strategic Defense Initiative and has already been awarded several small SDI contracts. Israel will be key to the successful development and deployment of an Anti Tactical Ballistic Missile (ATBM) system.

But Israel's role as an ally of the United States goes well beyond the confines of military cooperation in the Middle East.

Israel stood foursquare behind the United States in support of U.S. military actions against Libya in the spring of 1986, unlike Jordan and Saudi Arabia, who condemned "the American aggression against Libya," or Egypt, who termed it "unacceptable."

At the United Nations, Israel voted with the United States on 90 percent of the General Assembly resolutions introduced in the 41st session, the highest rate of cooperation of any country in the world. And on the 10 annual "key" votes determined by the Administration, Israel voted with the United States all 10 times since 1985. This contrasts with 37 percent for Turkey, and 43 percent for Greece--America's NATO allies in the eastern Mediterranean. It also contrasts with 17 percent for Egypt, 16 percent for Saudi Arabia, and 13 percent for Jordan--and the Soviet Union's 12 percent record.

In the information war, Israel's Minister of Communications, Gad Ya'acobi, at a White House ceremony last month, signed an agreement with the United States to install a Voice of America transmitter in the Negev desert to enhance American broadcasts to Soviet Central Asia, Afghanistan, and Eastern Europe, despite the inherent risk of worsening the plight of Soviet Jews. By contrast, two of America's NATO allies, Greece and Turkey, refused to host the VOA transmitter because of their unwillingness to endanger their relations with Moscow. Reportedly, Oman also turned down an American request.

Moreover, at a time when American exports are meeting protectionist trade barriers erected by our closest allies and trading partners, Israel signed the historic Free Trade Area agreement, making it the only country in the world to abolish virtually all trade barriers with the United States.

And so, Mr. Chairman, in the peace process, in strategic cooperation, in the diplomatic arena, and on the trade front, Israel is today one of our foremost partners in the world, working with the United States toward regional and global security.

Israel and the United States have also cooperated over the past two years in another bold initiative. Working together, they have successfully undertaken to rescue Israel's economy from the severe distress it was suffering just 2 years ago.

Israel has demonstrated how U.S. foreign assistance, in combination with strong and well-conceived corrective measures in the economy, can turn economic distress into an opportunity for recovery. Those who questioned the large injection of economic aid warned it could prevent Israel from instituting the tough austerity measures which could not be avoided. Israel's experience clearly challenged this notion. U.S. assistance to Israel has made a concrete difference in Israel's struggle to regain economic stability, and has been accompanied by some of the toughest austerity measures ever imposed by a democracy in a compressed period of time. The battle is far from over, but a good beginning has been made.

Two years ago, Israel was hemorrhaging economically. Years of shouldering the enormous defense burden imposed by Arab hostility, and the accumulated result of the dependence on imported raw materials and fuel for Israel's industry--to say nothing of the continuing cost of absorbing waves of destitute immigrants and providing them with the full range of social welfare services--had led to extensive borrowing and a huge foreign debt. Foreign reserves plummeted below $3 billion to the perilous "red line" of $2 billion. At the same time, inflation was raging at 450 percent per year, and in one month reached an annual rate of 800 percent. The government was running a deficit equivalent to 17 percent of the Gross National Product.

Then something unusual happened. Within Israel, the many parties and different schools of thought pulled together, and decided that the higher national interest required them to put aside their differences and work in a united fashion for national economic recovery. Equally important, the Government of the United States, and particularly Secretary of State George Shultz and the U.S. Congress, stepped forward and in the spirit of a true ally, offered the hand of assistance in a time of trouble.

Last year, we reported to you on the economic plan implemented by Israel aimed at curbing runaway inflation, reducing the budget deficit, bringing the foreign exchange crisis under control, and starting the nation back on the path to economic growth. The major elements of the austerity program were severe and painful, but necessary, and included a wage and price freeze, a suspension of monthly cost-of-living adjustments, a reduction in government subsidies to basic commodities that especially strained those in the lower income brackets, major cuts in the government budget, a 19 percent devaluation of the shekel, and a freeze on government hiring.

These measures led to one of the most rapid reductions in standards of living ever imposed on a free people by their democratic government. The government imposed wage freezes that cut the purchasing power of workers by 15 percent, and reduced government spending by 2 percent. But while earnings declined, the cost of living rose, according to the plan.

Israelis were forced to pay user fees for health services and for educating their children. Subsidies on basic commodities like bread, milk, chicken and electricity were cut. The tax rates paid by Israelis were still among the highest in the world. And, the Government of Israel instituted a tax on the elderly's pensions.

This terrible "scissor" of incomes rapidly going down while the cost of living went up, cut deeply into the living standards and quality of life of the people of Israel. But they joined their government in recognizing the necessity to "bite the bullet" to rescue the economy and get back on the path to economic growth.

But the Congress, the people, and the President of the United States were partners in this process also, because another critical ingredient of the recovery program is U.S. economic assistance. U.S. aid provided the critical "safety net" to stop the decline of foreign reserves and restore confidence in Israel's economy. This in turn prevented a crisis in which Israel would have become more dependent on high-interest rate, short-term borrowing in the international financial market. Aid made it possible to bring Israel's international financial position back under control.

U.S. aid was also essential to prevent massive unemployment from overwhelming the economic recovery program, which might have destroyed public support for the steps required for recovery. Israel's unemployment increased to very high levels--at one point even reaching 8.3 percent, but the trend would have been worse still without U.S. assistance. In an encouraging development, unemployment fell to 5.5 percent during the first quarter of 1987.

U.S. assistance bought Israel the time to implement the necessary structural changes in its economy. It has been a critical and indispensable ingredient--perhaps the most significant factor--in the progress made by the Government of Israel in restoring economic health. Happily, I can report today the impressive results of the stabilization plan. Israel's foreign reserves have risen to nearly $4.5 billion, from the dangerously low $2 billion mark. The inflation rate has also improved dramatically from 450 percent in 1985 to 19.7 percent in 1986. Since the beginning of 1987, the consumer price index has risen 8.5 percent. While these figures are still high, they are a long way from the triple-digit numbers of two years ago.

The government's budget deficit was running at about 17 percent of the Gross National Product before the plan was implemented; it has now fallen to about 3 percent of GNP. Israel's current account was in deficit by $1.4 billion; the year ended with a current account surplus of $500 million. Due to reductions in the budget deficit, the Bank of Israel printing press did not need to issue a single additional shekel during the first year and a half of the economic program.

But much remains to be done. As Prime Minister Shamir declared, "Restoring economic health is the raison d'etre of this government." At the urging of the Secretary of State and the economic advisory panel he assembled, Israel has turned its focus to economic growth. Toward this end, the government announced the second phase of the economic program aimed at creating the necessary conditions for growth and expansion.

Following the leadership and advice of the United States, phase two consists of a wide range of measures directed at reducing government involvement in, and regulation of, the economy. Just as there has been tax reform in the United States, Israel has cut its marginal tax rates, lowering the top income tax bracket from 60 percent to 48 percent (with some exceptions), raising the zero income bracket, and reducing the overall number of brackets. Israel has begun to implement capital market reform measures intended to limit government control of, and involvement in, the capital market and to free up capital for much needed private investment. To relieve the burden on exporters, the shekel was devalued by 10 percent. Out of a continued commitment to budget restraint, and despite the difficulties inherent to any effort to cut the budget in a democracy familiar to budget-watchers in Washington, the Government of Israel trimmed an additional $244 million from its budget. The government also negotiated a reduction in the cost of living adjustment for wage earners and cut subsidies.

Finance Minister Moshe Nissim's recent remarks sum up the goals of the growth program, namely:

> ...to create a new climate and atmosphere in the Israeli economy, a climate which facilitates a liberal economy, encouraging initiative on the part of the individual and attractive to the investor.

Israel is not out of the woods yet. In 1986, real wages, consumption expenditure and imports increased. But Secretary Shultz expressed the shared sentiments of Israel and the United States during Prime Minister Shamir's talks here last February when he said:

> We agreed a strong economy is no less important than a strong defense, and that Israel needs to redouble its efforts in this area to prosper and to ultimately reduce dependence on foreign aid.

The United States has a vital interest in Israel's economic recovery for several reasons. First, the economic health of our major allies and fellow democracies is inherently a vital interest for the United States, because in a very profound sense, the free nations stand or fall together. Second, the economy of Israel is the bedrock of the nation's ability to sustain its own defense, and for this reason Israel's economic health is essential to the stability of the region. And third, it is a vital interest of the United States to ensure that Israel continue on the path of economic growth and self reliance. This is something we can do, and for our own interest, must do.

The challenge for the United States, and for this Committee, as we look to the year ahead, is to continue a program that is working, and to take the steps that are necessary to reinforce and indeed accelerate the recovery to which the United States has already contributed so much. The foreign assistance program before you is truly an investment in Israel's future.

Beyond the challenge of economic recovery, the program before you is essential for a second reason. This is the fact that our assistance to Israel over the coming year will have a critical impact on the security of the Jewish state.

Last year we painted a bleak picture describing the erosion in Israel's margin of security, that resulted to a great degree from the very financial and budgetary austerity measures that were necessary to rescue Israel's economy. Regrettably, that picture still captures the essence of the situation. Indeed, current economic plans call for the continuance of defense budget cuts into the 1990s.

The austerity measures cut Israel's defense spending by about 20 percent in a two year period--one of the largest reductions ever imposed by a democracy in so brief a timespan. While Israeli military planners have attempted to make the cuts without eroding Israel's narrow margin of safety, reductions of this magnitude have, inevitably, added to the element of risk in many areas. As Defense Minister Rabin put it,

> The large cuts that have been made in the last few years have exposed us to serious risks. If this should continue, it will damage the defense of the state in the near and distant future.

(1) Active combat units have been disbanded, reduced in size or converted into reserve formations. This has decreased the number and size of army brigades and air force squadrons available to meet a surprise attack. This has weakened the basis on which Israel's security has rested since the conclusion of the 1973 Yom Kippur War.

(2) At least one of Israel's mechanized/armored divisions has been dissolved. This means a serious decline in Israel's visible deterrent capability as well as a decline in its war-fighting ability.

(3) Training has been significantly reduced. There have been serious cuts in the number of flying hours allowed aircraft pilots, ground forces training has been limited, and the expenditure of ammunition in training has been curtailed. For example, Israeli pilots now are able to fly fewer training hours than their American or Jordanian counterparts.

(4) Reserve readiness has been cut. The number of reserve days served by Israeli soldiers remains at last year's low levels. Reserve units will continue to be less prepared for war than they were two years ago.

(5) Thousands of active duty military personnel have been released. This has meant the loss of a great many highly-skilled individuals who will be sorely missed by the Israeli armed forces.

(6) Morale has been lowered. Pay cuts and personnel releases have produced an exodus of highly trained and motivated professionals and have lowered morale generally. It threatens to undermine a key aspect of Israel's military superiority--its large qualitative advantage in personnel.

(7) Ammunition and equipment stockpiles have suffered deep cuts. This has reduced Israel's ability to sustain its forces in combat. Stocks expended during the Lebanon war have not been replaced, and in order to further reduce

expenses, the armed forces have continued to draw down their stockpiles without full replacement.

(8) Many programs, such as continued acquisition of new Merkava tanks, have been slowed or postponed.

(9) Naval building programs, including the construction of new submarines and missile boats, have continued to be delayed.

(10) Expenditures on research and development have been significantly curtailed. This has diminished Israel's ability to develop and produce the unique new weapons and countermeasures needed to counter increasingly sophisticated weapons entering Arab arsenals. This further diminishes Israel's qualitative advantage over its opponents. The Israeli defense industries have been forced to reduce their staffs and plant facilities and thus are less able to support Israel's military needs.

These cuts in Israel's defense budget have made American FMS aid to Israel all the more important. This money has helped upgrade Israel's Air Force--whose margin of superiority over its adversaries remains the cornerstone of Israel's security doctrine--particularly, through the development of the Lavi ground attack aircraft and the acquisition of F-16 fighters. We specifically wish to thank the Committee and the Congress for earmarking funds for procurement of defense items in Israel.

Another key program that will be funded through the FMS account is the upgrading of Israel's Navy, which must confront the colossal growth of hostile Arab navies like that of Syria, which has nearly doubled its number of combat vessels since 1982; Saudi Arabia, which has added 17 new guided missile warships since the beginning of the decade; and Iraq, which has added five guided missile warships since 1980, with six more on order.

Despite reductions in oil revenues, Israel's enemies continue to purchase more and newer weapons to add to their already bulging arsenals. They have placed orders for billions of dollars worth of new weapons each year, and have tens of billions of dollars more still in the pipeline from past years. Since 1973, the leading Arab nations still at war with Israel have spent nearly $400 billion on their armed forces, and are continuing to spend at an annual rate of $30 billion. According to the last set of figures released by the United States Arms Control and Disarmament Agency, four of the six largest arms importing nations in the world are Arab nations at war with Israel: Iraq, Saudi Arabia, Libya and Syria. And, it may be significant that despite its economic problems, Egypt was the fifth largest importer, ordering in 1987 some $1.3 billion worth of American weapons alone.

Syria has made major efforts to expand and improve its armed forces since its defeats in the 1982 fighting. All branches of Syria's military have grown as a result. There is a growing disparity in standing armed forces -- approximately 400,000 for Syria as compared with 150,000 for Israel. This could serve to increase Syria's incentive for a surprise attack. Syria's president, Hafiz Assad, has made very clear that he is preparing for war. Indeed, according to one estimate, the Syrians devote half their national budget to the armed forces, spending $1 billion more than Israel each year. As part of that buildup Syria has increased by 50% the number of divisions in its army. These troops have been reequipped with the latest model tanks, artillery, and other equipment available to the Syrians. The Syrians studied carefully the fighting in Lebanon in 1982 and have incorporated lessons from that campaign into their doctrine and training.

Syria's navy has also been a major beneficiary of this buildup, seeing its number of combat vessels nearly double in the years since the Lebanon war as well as the addition of previously unavailable capabilities. These new capabilities include Syria's first two submarines and a new coastal defense missile, the Sepal, with a range of about 180 miles.

Syrian air defense and air forces have also benefitted in this expansion. The losses of 1982 have been made good and then some; and more advanced types of anti-aircraft missiles and aircraft have entered service. New anti-aircraft systems have included the SA-5, SA-11, SA-13, and SA-14 missiles. Syrian pilots have spent the last year being trained in the Soviet Union on one of its most advanced fighters, the MiG-29, the first units of which are currently being delivered.

The Syrians have also acquired Soviet-built SS-21 tactical ballistic missiles, another piece of first-line equipment for Soviet forces facing NATO. These missiles are much more accurate and dangerous than the earlier Soviet-built Frog and Scud tactical missiles in the Syrian armory. The accuracy of these new missiles increase Syria's 'first-strike' attack abilities against key Israeli installations including air bases and mobilization points. The SS-23, an even more powerful and longer-range missile, is expected to be deployed in the near future.

Jordan too has continued its defense buildup. The Jordanians have placed orders to increase inventories of tanks, artillery, anti-aircraft systems, vehicles, air-to-air missiles, and other munitions. According to the United States Arms Control and Disarmament Agency, Jordan, a country with a gross national product of $4 billion (1984) took delivery of nearly $4 billion in arms in the four-year period between 1981 and 1985.

A key part of Jordan's military buildup plan appears to focus around increasing its air defense capability through the acquisition of advanced fighter aircraft and mobilization of its batteries of Improved Hawk anti-aircraft missiles. If Jordan succeeds in its search for this capability, then it will be in a position to directly threaten Israel's margin of air superiority.

Since 1980, Iraq, which has sent forces to fight Israel in three wars, has more than tripled the size of its armed forces. Indeed, since the beginning of this decade, Iraq has become the world's leading arms importer, taking delivery of weapons worth an average of over $3 billion every year. Regardless of the outcome of the Gulf War, as both opponents have sworn Israel as an enemy, it can be expected that the enormous arsenal accumulated in Iraq will be at least in part available for use against Israel, as it has been in the past. Moreover, the Iraqi armed forces are battle-hardened; they are better organized, better trained and more fully mechanized and modernized as a result of their seven-year war with Iran.

Despite steep reductions in oil revenues, Saudi Arabia continues to order weapons on a grand scale. It leads the Arab states in military expenditures, this year spending over $18 billion on its military, a sum equal to more than 75% of Israel's entire GNP. In each of the years 1981-1984, it was the world's second largest importer of arms. Current Saudi military expenditures per regular soldier are almost twice American expenditures (approximately $262,000 to $136,000). And, as Saudi Defense Minister Prince Sultan made clear in a recent *Washington Post* report, the focus of this military buildup is Israel, not Iran or the Soviet Army in Afghanistan. Therefore, not only does it seek to acquire military capabilities far beyond its own legitimate defense needs, it continues to fund Syrian and Jordanian arms purchases and PLO terrorist activities against Israel.

As part of this huge ongoing military buildup, Saudi Arabia has been seeking steadily to increase the size and combat capabilities of its air force. An important aspect of this particular effort has been the Saudi attempt to enhance the fighting qualities of the combat aircraft it has acquired from the United States. In this it has been partially successful, to the detriment of Israel's security. The sale of further American aircraft enhancements or replacements to Saudi Arabia cannot but lessen the opportunity for Israel to expend its resources on projects more productive for its society than on countering an ever-extending range of Arab military power.

Mr. Chairman, the Arabs purchase these arms from dozens of different nations around the globe. Our country has been a major supplier to these nations, selling scores of billions of dollars of military goods and services to avowed enemies of Israel. American sales of new weapons systems to hostile Arab nations have had a particularly profound impact on the military balance between Israel and those states because American technology is often superior to that of competing weapons. These sales have significantly raised the cost to Israel of maintaining its own defenses, exacerbating the strain on Israel's economy, and barring any changes in American policy, will continue to do so in the future.

The past year has also revealed a new dimension of the threat to Israel: chemical weapons. Both Syria and Iraq have developed their abilities to the point where they are manufacturing their own deadly chemical weapons, and in the case of Iraq, have used them on numerous occasions in its war against Iran. The realization of what was earlier an approaching threat has forced Israel to take in its turn precautionary steps to protect its population and soldiers, again at further cost to itself.

Overall, what we have is a pattern of accelerated Arab buildup while Israel substantially cuts its forces. The effort to maintain the qualitative edge adds to the burden on the Israeli economy, further worsening the quantitative gap in the Arab states' favor.

Mr. Chairman, we are all proud of Israel's achievements, but realistically it is impossible to have this combination of trends without a diminution of security. Israel's margin of safety is, inevitably, reduced by the austerity measures it is forced to take.

I would like to call your attention to a current economic issue confronting Israel, as well as other FMS debtor countries. Since the Camp David negotiations, Israel has borrowed more than $5 billion from the United States in high-interest Foreign Military Sales loans. We especially appreciate the efforts of Chairman Inouye and ranking Minority member Senator Kasten in exploring creative ways in which debtor nations, like Israel, can take advantage of the low interest rates that currently exist in the financial market to refinance these high-interest loans to the United States Government. Your willingness to explore every possibility and to avoid foreclosing any option that might be available for Israel and other high-interest debtors is heartening. We look forward to working with you and your staffs in finding a solution to this difficult problem.

And so I come before you to ask that you take these very serious risks into account when you consider the level of aid to Israel for FY 1988. What this Committee does will have a very real and direct impact on Israel's security, in a situation where there is much less room for error. Moreover, any reduction in aid will send the wrong signal to Israel's enemies.

Let me sum up, Mr. Chairman, the conclusions of my testimony. Our aid to Israel has been a wise investment, because Israel is our one democratic friend and most reliable ally in a critical region of the world. But this year, aid to Israel is particularly important, for two reasons. First, to prevent any further erosion in Israel's narrow margin of security, in a situation where its forces have been cut while those of its adversaries are rapidly growing.

The second reason aid is particularly important this year is to stay the course on the economic recovery and growth program on which Israel has embarked. This is no time to reduce our effort.

Israel is aware, however, of America's budget constraints and thus has not increased its aid request over the past three years. Indeed, last year the Government of Israel, acting as a responsible partner in the foreign aid process, returned $51.6 million in ESF funds to the U.S. Treasury despite the economic pressures it was facing.

Mr. Chairman, I thank you for the strong friendship you, this subcommittee, and the Senate, have demonstrated toward Israel, and for this opportunity to explain the importance of FY 1988 aid to Israel and to America.

EFFECTIVENESS OF AIPAC

Senator HARKIN. Mr. Dine, thank you for your comprehensive statement. I just want to say a couple of things. First of all to commend you and all of your staff at AIPAC for the fine work that you have done.

Mr. DINE. Thank you, sir.

Senator HARKIN. You have brought, not only to the congressional attention but also to the public attention, the importance of Israel to U.S. strategic interests in that part of the world, and also for our geopolitical interests.

In fact, I would add that under your leadership AIPAC has become one of the most effective organizations, I think, in Washington. I think you should certainly be commended for that.

Mr. DINE. Thank you very much, sir. May I add, to thank you personally for your support, both as a House member and now as a member of the Senate.

Senator HARKIN. I am proud of that support, and I am proud of the relationship that is existing between the two nations.

Everything you said is absolutely right on the mark. We have come a long way in our relationship with Israel. Sometimes Americans are very impatient people. Having traveled in that part of the world, they look at things from a longer term as people from many parts of the world do. To think of what has happened in that part of the world, just in the last several years, truly is astounding, witness the Camp David Peace Accord.

There have been some problems between Egypt and Israel, but I guess the Ambassador has returned, things are moving ahead. Some of the proposals that have been put forth by Foreign Minister Perez and others on trying to get some kind of an international conference started. I know there are a lot of problems there, but at least it looks somewhat promising. Something might happen.

These things are moving along, and what you just said about the reflagging also struck home. I was talking with one of my fellow Senators yesterday about that. We are sending over helicopters to do this minesweeping in the Persian Gulf, yet they can't even land in Kuwait. That strikes me as being rather odd.

Mr. DINE. Do you recognize how far away Diego Garcia is?

Senator HARKIN. A long way, over by India.

The United States has sent substantial amounts of financial assistance to Israel to help improve its economy. You mentioned that its inflation has been brought down from 450 percent down to less than 12 percent this year.

Mr. DINE. It probably would be, on an annualized rate, about 12 percent. It may go lower if the trend continues to hold.

RESCHEDULING PLAN

Senator HARKIN. Last year, the administration proposed a rescheduling plan for outstanding foreign military sales debts to a number of countries, Israel included.

What is the progress of that plan? What is the status of the negotiations?

Mr. DINE. The Treasury Department put forward two options, as I understood them. Most of the countries had trouble in working on them and the Israelis have considered them seriously.

There is now a letter in preparation, as I understand it, on the Finance Minister of Israel's desk to consider one of the options, prepayment at par. Obviously, it is an enormous internal debate.

Some of the factors that have to be looked at is, what does that do to the credit rating of Israel in the private banks in London, New York and elsewhere? What will happen to foreign assistance under those circumstances from the United States to Israel which Israel deeply values and tries to use expeditiously?

ISRAELI DEFENSF EXPENDITURES

Senator HARKIN. One quick question. Do you know what the percentage of the GNP in Israel goes for military expenditures for defense purposes?

Mr. DINE. It is over 25 percent.

Senator HARKIN. Does that come down? Does it stay about the same?

Mr. DINE. No. It stayed about the same, and that is the active payment. There is also payment on debts, which is an almost equal amount.

Mr. BLOOMFIELD. Also, if I may add, Mr. Chairman, that in the austerity program that then Prime Minister Perez put into effect in July 1985, major central budget cuts come from defense, not from the Ministry of Health, Education, or Welfare, but from defense. Yet that aspect of the GNP, as you noted, is extraordinarily high.

Mr. DINE. The written testimony details the extent of some of those cuts.

Senator HARKIN. Thank you both.

Mr. DINE. Thank you.

Senator HARKIN. Our next witness is Dr. Dean Lomis, Chairman of the American Hellenic Institute Public Affairs Committee, Incorporated.

Mr. Lomis, welcome to the subcommittee. Your statement will be made a part of the record in its entirety, and we have 10 minutes, so please proceed.

AMERICAN HELLENIC INSTITUTE PUBLIC AFFAIRS COMMITTEE, INC.

STATEMENT OF DR. DEAN C. LOMIS, CHAIRMAN, AMERICAN HELLENIC INSTITUTE PUBLIC AFFAIRS COMMITTEE, INC.

AID TO GREECE, TURKEY AND CYPRUS

Mr. LOMIS. Thank you very kindly, sir. I would like to add here before I begin that I am also representing the American Hellenic Educational Progressive Association.

I appreciate the opportunity to appear before the subcommittee today on behalf of the American Hellenic Institute Public Affairs Committee and the American Hellenic Educational Progressive Association to present views concerning foreign aid appropriations legislation for fiscal year 1988 affecting Greece, Turkey and Cyprus.

The Senate Authorization Bill provides Greece with $343 million and Turkey with $490 million, recommending that both Greece and Turkey receive equivalent proportional funding in both loans and grants. Cyprus is recommended to receive $15 million in humanitarian aid.

OPPOSITION TO AID FOR TURKEY

We oppose this authorization for Turkey as contrary to the national security and foreign policy interests of the United States in the Eastern Mediterranean.

This year, we are facing serious cuts in domestic spending due to a concerted effort to balance our Nation's budget and reduce our deficit.

Therefore, we recommend in support of the rule of law and U.S. national security interests that:

(1) all aid to Turkey, military and economic, be conditioned upom an agreed Cyprus settlement based on majority rule with full minority rights guaranteed and the removal of all Turkish occupation troops and colonists from Cyprus; and

(2) a reduction in aid to Turkey so that parity in both amount and type of aid is established between Greece and Turkey.

Because of the unwarranted invasion and continuing illegal occupation of 37 percent of Cyprus by at least 35,000 Turkish troops, equipped with American weaponry provided to Turkey for defensive purposes only, the escalation of Turkish threats against Greece in the Aegean, Turkey's continuing violations of international law and Turkey's recent military modernization and illegal build-up on Cyprus, AHIPAC and AHEPA recommends the imposition of the following specific conditions precedent on all military and economic aid to Turkey as I have listed in my submitted testimony.

We also urge the subcommittee to consider one to one as the appropriate aid ratio between Greece and Turkey in order to further deter potential aggression by Turkey against Greece's Aegean islands and potential further aggression by Turkey in Cyprus.

To date, Turkey has continued its threats against Greek islands in the Aegean Sea and provocations into Greek airspace over the Aegean.

We also recommend the continuation of $15 million in humanitarian aid to the Republic of Cyprus, as proposed by the House and Senate Foreign Affairs Committees, at least as long as the Turkish occupation forces remain in Cyprus.

Let me be a little more specific shortly. On aid to Turkey, it is ironic that last year our country spent over $300 million in cash and over $107 million in loans for military assistance to our so-called "needy" ally Turkey, who last year launched a $10.5 million public relations program for the improvement of its image abroad.

More importantly, however, it does not seem right that our third largest foreign aid recipient should spend over a quarter of a billion dollars annually to maintain an illegal occupation of 37 percent of Cyprus and then lobby the U.S. administration and Congress for $1 billion in aid annually.

A United Press International dispatch has stated that Turkey announced publicly that it was sending a unit of modern armored vehicles to Cyprus. Letters to the State Department by various members of Congress cite particulars; the deployment of 2,700 offensive air-to-surface missiles, an increase in the number of antitank weapons and other mortar weapons, and the modernization of attack helicopters among others.

Turkey's actions in the Aegean Sea present an equally distasteful example of its expansionist ideals. Turkey refuses to recognize the internationally accepted principle that islands have their own continental shelves, specifically the Aegean islands which are internationally recognized as part of the nation of Greece. Greece has on more than one occasion offered to take the case before the International Court of Justice at The Hague for a ruling, but Turkey has consistently refused.

In addition, Turkey has an entire army located on its Aegean coast known as the Aegean Army and has stated publicly that it is after the Greek islands in the Aegean Sea.

The ratio between Greece and Turkey, the 7 to 10 ratio, has been somewhat of a tradition governing the amount of aid to be given to Greece and Turkey. However, in light of the fact that if Greece were ever lost to the West, Turkey would be cut-off from the rest of NATO; that Greece's strategic importance regarding the Aegean is at least as important, if not more important than the Dardanelles.

We recommend that the ratio between Greece and Turkey be one to one so that we acknowledge the equal importance of Greece to NATO, but also that it is a deterrent to further aggression by Turkey.

AID TO CYPRUS

Finally, on aid to Cyprus, we recommend the full aid to Cyprus of $15 million because Cyprus has been our strongest ally in the Eastern Mediterranean despite the fact that it is not a member of NATO. If it were not for Cyprus during our problems in Beirut, we would not have had anyone, especially Turkey who refuses continuously.

In summarizing, Turkey used American military aid illegally 13 years ago, in 1974, when it invaded and subsequently occupied 30 percent of the Republic of Cyprus. You are very familiar, of course, with the illegalities over the years and the fact that there are five American hostages who were taken by Turkey during its invasion in 1974, and about whom Turkey refuses to acknowledge the whereabouts.

It has been suggested that the Greek Cypriots and concerned American are merely unable to accept the reality of the current situation in Cyprus. Mr. Chairman, this is indeed true. It is unacceptable to us that in this day and age, in this era of growing international interdependency that military aggression against a non-aggressive democracy be condoned and supported by the leader of the Free World.

It is unconscionable that the United States spend hundreds of millions of U.S. tax dollars to support a country that has so blatantly broken U.S. laws and international laws. It is humiliating that this hypocrisy is maintained because Turkey is a NATO ally. Either the United States stands of the rule of law or it does not.

It is therefore, the constitutional duty of the U.S. Congress to guide the administration toward the path of the rule of law, and to send a clear and unmistakable signal to Turkey that this Nation cannot and will not condone the illegal use of its goodwill assistance.

It is long over due for the United States to pursue a coherent and comprehensive foreign policy program for the area. We cannot stress strongly enough our sincere hope that this subcommittee and indeed the entire U.S. Congress has the courage and foresight to do it.

Thank you Mr. Chairman and members of the subcommittee.

[The prepared statement of Mr. Lomis follows:]

STATEMENT

OF

PROFESSOR DEAN C. LOMIS, CHAIRMAN

AMERICAN HELLENIC INSTITUTE PUBLIC AFFAIRS COMMITTEE, INC.

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to appear before the Subcommittee on behalf of the American Hellenic Institute Public Affairs Committee, Inc., (AHIPAC), to present views concerning foreign aid appropriation legislation for fiscal year 1988 affecting Greece, Turkey, and Cyprus.

The Senate Authorization Bill provides Greece with $343 million and Turkey with $490 million, recommending that both Greece and Turkey receive equivalent proportional funding in both loans and grants. Cyprus is recommended to receive $15 million in humanitarian aid.

We oppose the authorization for Turkey as contrary to the national security and foreign policy interests of the United States in the Eastern Mediterranean.

This year we are facing serious cuts in domestic spending due to a concerted effort to balance the nation's budget and reduce our deficit. Therefore, we recommend, in support of the rule of law and U.S. national security interests that (1) all aid to Turkey, military and economic, be conditioned upon an agreed Cyprus settlement based on majority rule with full minority rights guaranteed and the removal of all Turkish occupation troops and colonists from Cyprus; and (2) a reduction in aid to Turkey so that parity in both amount (including economic aid since money is a fungible commodity) and type of aid (loans, grants, interest rates) is established between Greece and Turkey.

Because of the unwarranted invasion and continuing illegal occupation of 37% of Cyprus by at least 35,000 Turkish troops, equipped with American weaponry provided to Turkey for defensive purposes only, the escalation of Turkish threats against Greece in the Aegean, Turkey's continuing violations of international law, and Turkey's recent military modernization and illegal build-up on Cyprus, AHIPAC recommends the imposition of the following specific conditions precedent on all military and economic aid to Turkey:

1) the withdrawal of all Turkish occupation forces and colonists from Cyprus;

2) the immediate return of all occupied areas to the Republic of Cyprus under U.N. auspices for the immediate resettlement of the 200,000 refugees;

3) agreement by Turkey and the Turkish Cypriots to constitutional arrangements based on the universally accepted democratic principle of majority rule with full minority rights guaranteed, as well as freedom of movement, settlement, and ownership of property anywhere in Cyprus;

4) agreement by Turkey to full cooperation with the International Red Cross regarding investigation of the five abducted Americans and 1,614 missing Greek Cypriots;

5) renunciation by Turkey of its illegal claims in the Aegean and agreement to submit to the Court of International Justice at the Hague any specific alleged claims by Turkey against Greece in the Aegean;

6) agreement by Turkey to disband its "Army of the Aegean", organized in 1975 and directed against Greece's Aegean islands.

We also urge the Subcommittee to consider 1 to 1 as the appropriate aid ratio between Greece and Turkey in order to further deter potential aggression by Turkey against Greece's Aegean islands and potential further aggression by Turkey in Cyprus. To date, Turkey has continued its threats against Greek islands in the Aegean and provocations into Greek airspace over the Aegean.

We recommend the continuation of $15 million in humanitarian aid to the Republic of Cyprus, as proposed by the House Foreign Affairs Committee, at least as long as the Turkish occupation forces remain in Cyprus. We also recommend that no part of these funds be used or earmarked for the Turkish Cypriots until they revoke their illegal action of November 15, 1983, the Unilateral Declaration of Independence.

1. Aid to Turkey

It is ironic that last year our country sent over $300 million in cash and over $170 million in loans for military assistance to our "needy" ally Turkey, who last year launched a new $10.5 million public relations program for the improvement of its image abroad. It does not seem right that our third largest foreign aid recipient should spend over a quarter of a billion dollars annually to maintain an illegal occupation of 37% of Cyprus, and then lobby the U.S. Administration and Congress for $1 billion in aid annually.

A United Press International dispatch has stated that Turkey announced publicly that it was sending a unit of modern armored vehicles to Cyprus. In addition, the Turkish newspaper Cumhuriyet (20 October 1986) indicated in its report that a part of these armaments had been acquired via U.S. aid. Letters to the State Department by various members of Congress cite particulars: the deployment of 2,700 offensive air-to-surface missiles, an increase in the number of antitank weapons, the development of modern 81mm and 106mm mortars, and the modernization of a fleet of attack helicopters among others.

Turkey's 1974 invasion of Cyprus was also in violation of numerous international laws. Not only does it violate the charters of NATO and of the United Nations, but Turkey's treatment of the citizens of Cyprus violates the U.N. International Covenants on Human Rights, the 1949 Geneva Conventions, and the European Convention on Human Rights and its Protocols.

Turkey's actions in the Aegean Sea present an equally distasteful example of its expansionist ideals. Turkey refuses to recognize the internationally accepted principle that islands have their own continental shelves, specifically those of the Aegean islands which are internationally recognized as part of the nation of Greece. Greece has on more than one occasion offered to take the case before the International Court of Justice at the Hague for a ruling, but Turkey has consistently refused.

In addition, Turkey has an entire army located on its Aegean coast. Turkey claims that this is merely a training army and that it is there to protect the coast from a possible Soviet invasion. However, the army has been termed, by Turkey itself, as its Fourth Army, the Army of the Aegean. In addition, the entire parachute division of the Turkish Armed Forces is assigned to this Army as well as amphibious landing craft.

The Soviet threat is also a fabrication. For the Soviets to attack in the manner stated by Turkey, they would have to sail through the Dardanelles and at least a portion of the Aegean Sea, around the numerous islands therein. Such an attack could be easily squashed by Western air strikes to close the Straits and control the Aegean. The only real purpose of the Army of the Aegean is to be prepared for an opportunity to occupy islands in the Aegean, islands which belong to Greece.

Turkey's use and need of U.S. aid is at the very least questionable, especially when one considers the inherent fungibility of money. Undersecretary of State William Schneider, in testimony before the House Foreign Affairs Subcommittee on International Security and Scientific Affairs on February 21, 1984, stated that the annual cost of maintaining one Turkish soldier is $9,000 (in 1984 dollars). With State Department officials putting the current number of such troops in occupied Cyprus at

35,000, this means that of the money the U.S. gives to Turkey, over a quarter of a billion dollars is used annually to maintain the illegal Turkish occupation presence on the island.

Furthermore, the generous foreign assistance Turkey has been receiving from the United States, particularly since the passage in 1978 of legislation lifting the partial arms embargo, has been allocated with the clear understanding that Turkey would cooperate fully in efforts to bring about a lasting solution to the Cyprus problem. However, it seems from the events of the past thirteen years, that Turkey's understanding of a just and lasting solution of the Cyprus situation is nothing less than annexation of the entire island. Furthermore, it appears, by the actions of the Executive Branch in its aid proposals for Turkey that the U.S. is signaling its tacit approval of this "solution".

Turkey's occupation of 37% of Cyprus is in clear violation of U.S. laws made by Congress. Specifically, Turkey is in violation of the 1947 U.S.-Turkey bilateral agreement, the 1961 Military Assistance Act, as amended, and the 1961 Military Sales Act, as well as other U.S. laws.

Mr. Chairman, what benefits has the U.S. obtained as a result of our providing over $10 billion in aid to Turkey -- nearly $4 billion over the last five years alone?

Our administration points out that Turkey has the longest border with the Soviet Union of any NATO nation and also borders Syria, Iraq and Iran. Turkey allows the U.S. use of listening posts to conduct Soviet surveillance and controls the Dardanelles through which Soviet warships must pass in order to leave the Black Sea, enter the Aegean and from there the Mediterranean. Many argue that Turkey has the potential to be a valuable asset to the U.S. in time of real crisis. The important question is "will the Turks be helpful?" All previous trends and current indicators are very discouraging.

In 1980, when the U.S. requested permission for the use of American bases to free American hostages in Iran, Turkey refused. Turkey responded in the same manner when we needed to use American bases to support U.S. interests in Lebanon. Turkey would not allow Washington evacuation privileges of our wounded and dying Marines from Beirut in 1983, and of our wounded and dying Embassy staff in 1984, or to attempt the rescue of our TWA Flight 847 hostages in Beirut in 1985. Turkey will not even permit the U.S. to build transmission antennas to broadcast Voice of America programs currently jammed by the Soviet Union. Finally, Turkey recently announced that it would not permit the use of U.S. bases in Turkey concerning the Persian Gulf.

When we retaliated against Libyan sponsored terrorism, the Turkish Cypriot leader, Rauf Denktash, sided with Libyan leader Qaddafi, stating: "Qaddafi was acting in self-defense," and that he "prayed for the souls of martyred Libyans". Turkey has refused to expel a Libyan "diplomat" whose terrorist activities caused his expulsion from the United States and Switzerland.

Because of Turkey's relationship with the Soviet Union, there are serious questions as to whether Turkey would assist the U.S. in a conflict with the Soviet Union or one of its surrogates. Already, Turkey does not allow American military aircraft to fly within 120 miles of the Turkish-Soviet border.

During the Middle East War of 1973, predating the Turkish invasion of Cyprus by one year, Turkey allowed the Soviet Union specific overflight rights and overland convoy rights using the primary public road system to resupply Syria and her allies who were engaged in war against Israel, while denying U.S. overflight rights to resupply Israel.

In a similar manner, Turkey permitted Moscow direct overflight rights to support the Ethiopian communists who eventually prevailed and established a Marxist-Leninist regime based on direct Soviet support. Furthermore, during the peak months of the conflict (December 1977-January 1978), the Soviet Union greatly increased the number of flights over Turkish airspace with the direct acquiescence of the Turkish government. The time saved by passing through Turkish airspace was crucial to the Soviet victory.

The administration's policy toward Turkey has cost American lives and jobs.

The State Department has recently agreed to re-interpret a new U.S. drug law which is supposed to identify and list countries which are major drug producers and traffickers. When a country is listed by the U.S. as such a producer and/or trafficker, 50% of total U.S aid is to be withheld until at least March 1 when the President then must certify that such a country is making an acceptable effort on drug control before the rest of the aid can be released. Even though the U.S. Drug Enforcement Administration has reached a conclusion that four million tons of narcotics pass through Turkey or Turkish ports each year, State Department officials state that since the law does not stipulate what volume of narcotics must be involved before a country is listed, their exemption of Turkey is justified.

Leaders of the United Steelworkers of America and the American Wire Producers Association have stated that they are concerned with the threat posed to American steelworkers' jobs posed by the rapid increase of Turkish exports to the U.S. in steel products. In 1984, Turkish companies sold $750,000 worth of wire and wire products. By 1986 that number had increased to $5.4 million, not including the $2.3 million sold in wire products such as nails, baling and barbed wires. Turkish dumping of steel on the American market has also given rise to concern.

The American textile industry has also been damaged by Turkey. The American Textile Manufacturers Institute has estimated that between 1985 and 1986 Turkish textile export sales eliminated over 18,000 American jobs. Both the Institute and the Amalgamated Clothing and Textile Workers Union have accused the Reagan Administration of favoritism toward Turkey and describe last year's trade talks between the two countries as "one of the worst agreements we have".

In 1983, the value of Turkish textile exports to the U.S. was $15 million. By 1986 they had reached $186 million. Comparing the figures of January 1987 with those for the same period last year, there is already a 23% increase in the volume of such exports. In addition, there is concern that Turkey is attempting to get around textile quotas by shipping many of its unfinished goods for final finishing in other countries for eventual exportation to the U.S. (e.g. Malaysian finishing of Turkish towels).

2. Aid Ratio for Greece and Turkey

The 7:10 ratio has been somewhat of a tradition in governing the amount of aid to be given to Greece and Turkey. However, in light of the fact that if Greece were ever lost to the West, Turkey would be cut-off from the rest of NATO; that Greece's strategic importance regarding the Aegean is at least as important, if not more important than the Dardanelles, especially in view of Turkey's repeated allowance of Soviet air-craft carriers passage to the Mediterranean over NATO objections; and that Turkey most definitely has designs on expanding its territory to include at least part of the Aegean and its islands whose sovereignty is internationally recognized as being Greek, we urge this Subcommittee to recommend that the aid ratio between the two nations be 1:1. Not only does this acknowledge their equal importance to NATO, but will also act as a deterrent to further aggression by Turkey.

Furthermore, according to the 1987 Annual Report of the U.S. Defense Department "Allied Contribution to the Common Defense", Greece has put its money where its mouth is. Greece leads all NATO members in the percentage of its gross domestic product spent on common defense (7.1% as compared with 6.9% - U.S., 5.2% - U.K., and 4.5% - Turkey). Greece also ranks highest in percentage of its population in total active military manpower and active civilian manpower.

3. Aid to Cyprus

Cyprus should receive the full $15 million in ESF because even though Cyprus is not a member of NATO, it has been one of our staunchest allies in the Eastern Mediterranean. Cyprus has been the transit point for the removal of our Marines and citizens from Beirut, transit denied the U.S. by other countries in the region. Cyprus also provides the West with important listening posts which monitor the entire region, including portions of the Soviet Union.

Furthermore, Cyprus has been in the forefront of combating international drug trafficking and terrorism. U.S. Ambassador to Cyprus Richard Boehm has stated publicly that Cyprus' record on both counts is impressive and should serve as a model for all other nations. Information developed by Cyprus authorities helped lead police to two major hashish seizures in England (each 2,000 kilograms) and one in Italy (5,000 kilograms). He continued by saying that the majority of those in Cypriot jails convicted of drug offenses were foreigners who were caught while attempting to pass through Cyprus.

In all convicted cases of international terrorism in Cyprus, the culprits were foreigners. Ambassador Boehm praised the role of Cyprus in this area. He stated that the country was providing for the security of foreign diplomatic establishments in a manner which was consistently and admirably effective.

Summary

Turkey used American military aid illegally thirteen years ago in 1974 when it invaded and subsequently occupied 37% of the Republic of Cyprus. It also deploys 140,000 troops, supplied by American tax-dollars for NATO's defense, opposite the Greek islands in the Aegean Sea. Mr. Chairman, why aren't these troops stationed along the Turkish-Soviet border? Because Turkish leaders have repeatedly declared their desire to annex these islands to Turkey, as it is trying to do with Cyprus.

For thirteen years, our government has neglected its obligations to support the rule of law on Cyprus, causing Cypriots to remain refugees in their own country. Mr. Chairman, only the United States has the influence to encourage Turkey to abide by the rule of law that governs the relationship between the United States and its allies.

Mr. Chairman and Subcommittee members, as you consider the Foreign Aid Authorization Bill for FY'88, please keep in mind what we have presented. It is all too easy to dismiss these points along the lines of the simplistic argument that Greeks and Turks are always against each other and every action proceeds from that. What we are talking about here is what is best for our nation and its citizens in bilateral terms. How can it be justified to spend their tax dollars on Turkey, a country which so far has used this money to invade another country, abuse its citizens, take American jobs, and peddle drugs to our youth?

In this era of budget cutting and fiscal responsibility, we urge you to take a long, hard look at what American aid is buying us in Turkey and what that is doing to our citizens, your constituents, and to America's reputation as a fair and just leader in this world.

It has been suggested that the Greek Cypriots and concerned Americans are merely unable to accept the reality of the current situation in Cyprus. Mr. Chairman, this is indeed true. It is unacceptable to us that in this day and age, in this era of growing international interdependency, that military aggression against a non-aggressive democracy be condoned and supported by the leader of the Free World. It is unconscionable that the United States spend hundreds of millions of U.S. tax-dollars to support a country that has so blatantly broken U.S. laws and international laws. It is humiliating that this hypocrisy is maintained because Turkey is a NATO ally. Either the United States stands for the rule of law or it doesn't. It is, therefore, the constitutional duty of the U.S. Congress to guide the Administration toward the path of the rule of law, and to send a clear and unmistakable signal to Turkey that this nation cannot and will not condone the illegal use of its goodwill assistance. It is long overdue for the United States to pursue a coherent and comprehensive foreign policy program for the area. We cannot stress strongly enough our sincere hope that this Subcommittee and indeed the entire U.S. Congress has the courage and foresight to do it.

Thank you Mr. Chairman and Members of the Subcommittee.

U.S. BASE RIGHTS IN GREECE

Senator HARKIN. Mr. Lomis, thank you very much for the fine statement. You have recommended the imposition of several specific conditions precedent on aid to Turkey. We will take your recommendations under consideration and see what we can do.

What is the position of the American Hellenic Institute with respect to U.S. base rights in Greece.

Mr. LOMIS. We support American base rights in Greece by all means. We are an American lobby. Americans of Hellenic descent. We do not represent Greece.

Senator HARKIN. I understand that. I just wondered what your position was.

Mr. LOMIS. Yes. I have served on those bases as a U.S. military officer long ago.

Senator HARKIN. Is your position in accord with that of Mr. Papandreou, the Prime Minister of Greece?

Mr. LOMIS. Not so. Our line is that the American bases in Greece must stay, but I must say something on that, sir. I do strongly believe that is nothing more than ploy for internal consumption and in terms that American law is broken and Greece is on the short end of the deal between Greece and Turkey.

Senator HARKIN. Perhaps it has something to do with turning the cheek the other way or averting our eyes to perhaps what has happened with Turkey in Cyprus.

Mr. LOMIS. Absolutely. There is no question about it. That is the whole problem.

Senator HARKIN. I think that is right. I think that is an absolute fact.

You have recommended that we have a one to one ratio. I see the authorization bill providing Greece with $343, Turkey with $490. What you are saying is that it should be a one to one basis.

Mr. LOMIS. Yes, I did. If I might take a second, sir. I went very quickly because it is very important to stay on time, but I would like to say this.

The 1987 annual report of the U.S. Defense Department titled "Alike Contributions to the Common Defense," shows specifically that in 1987 Greece has the largest gross domestic cost for common defense. I am on page 10, and I would like to use these figures.

Greece is spending 7.1 percent of its gross national product for defense, compared to 6.9 for the United States, 5.2 for the U.K. and only 4.5 for Turkey. As far as Turkey, we must never forget that there are 35,000 Turkish troops in Cyprus who are using over a quarter of a billion dollars to be maintained there, and that is American dollars.

Senator HARKIN. You answered my question concerning Mr. Papandreou. I appreciate your appearing before the subcommittee.

Mr. LOMIS. Thank you very much.

Senator HARKIN. Thank you very much.

Our next witness is Dennis B. Warner, National Council for International Health.

NATIONAL COUNCIL FOR INTERNATIONAL HEALTH

STATEMENT OF DENNIS B. WARNER, VICE CHAIRMAN, NATIONAL COUNCIL FOR INTERNATIONAL HEALTH

ACCOMPLISHMENTS OF INTERNATIONAL HEALTH PROGRAMS

Dr. WARNER. I am the Vice Chairman for the National Council for International Health. I am standing in today for Dr. Russell Morgan, who is the Executive Director of NCIH who has been asked to attend the WHO regional consultative meeting in Africa.

It is a great pleasure for me to appear here today. The National Council for International Health is the leading American organization concerned with providing leadership in the area of international health and strengthening the U.S. response to international health needs.

We are particularly pleased with the role that this committee has played in shaping American foreign policy in the area of international health. I would like to point out three major accomplishments that have stemmed from this leadership.

CHILD SURVIVAL CAMPAIGN

The first is that the International Child Survival Campaign is progressing very well. Progress can be seen in all parts of the world. For instance, in both India and China the governments there have set an immunization goal of 85 percent of all infants by the year 1990. Furthermore, National Immunization Days have been established in a number of Latin American countries.

ORAL REHYDRATION THERAPY

Oral rehydration therapy to combat dehydration from acute diarrhea is now used by an estimated 12 percent of the world's parents. In Egypt, a particular success story, it is estimated that 82 percent of the parents there have used oral rehydration therapy. The best figures estimating the effect of ORT worldwide now are that approximately one half million children are saved each year through this intervention.

The second accomplishment I wish to point out is the greater commitment of U.S. public and private institutions to primary health care and especially to the Child Survival Campaign. Much of the credit for this is due to the congressional leadership and to the effective management of the Child Survival programs by the Agency for International Development.

In 1987, Congress authorized $75 million for the Child Survival Fund. This was a clear signal to the international health community that this is a priority area and it has had major effects in influencing other organizations, both private and multilateral to increase their own efforts in this area.

The third accomplishment is the strong support from the U.S. Congress for the Child Survival Fund and to related international health priorities. Bipartisan House and Senate support increased the fiscal year 1987 Child Survival Fund to $75 million. This committee has been especially influential in supporting this fund and, indeed, in increasing it beyond the amounts requested by AID.

GLOBAL AIDS EPIDEMIC

There are a number of very bad news issues to relate to you. The first is AIDS or Acquired Immune Deficiency Syndrome. We are on the verge of a global AIDS epidemic. President Reagan has declared it "public health enemy number one."

This virus, which destroys the body's immune system leaving it susceptible to a variety of life threatening infections, is presently incurable. AIDS is a fatal disease for which we yet have no cure.

In less than 10 years, AIDS has spread throughout the world. The best figures available today are that 119 countries now report the presence of the disease. As of this month, over 53,000 cases have been reported to the World Health Organization.

Conservative estimates are that more than 100,000 people are infected with AIDS. Even more serious is the fact that some 5 to 10 million people are infected with this disease even though they show no symptoms as yet. It is estimated that within the next 5 years, perhaps, half of these people will develop serious health problems related to AIDS.

Dr. Everett C. Koop, the Surgeon General, has reported that we may not be able to develop a vaccine before the end of the century.

Public education is the key to the AIDS problem. WHO has announced a two-part global strategy. The first to assist national government in developing programs to combat AIDS within their own areas. The second is to work at the global level coordinating the work of the Agency for International Development and the other organizations concerned with these problems.

For 1987, WHO has estimated it needs $40 million for this effort. AID reprogrammed $10 million in fiscal year 1987 to assist in this work. Much more is needed. However, what is needed is new funds io the AIDS battle, not reprogramming of funds from other important health areas.

HEALTH ASSISTANCE TO AFRICA

The second area of bad news is health assistance to Africa. Funding for health programs in Africa has declined from $32.8 million in fiscal year 1986 to $27.3 million in fiscal year 1987. This is particularly unfortunate for Africa, the world's poorest continent, which has the greatest health needs, lowest incomes, highest population rate and now it is targeted for decreasing health assistance.

At the very least, the health budget should remain the same for this area. There are four reasons why it should remain the same.

Child mortality: Africa has the worst child mortality rates in the world. Of the 32 countries having the highest mortality rates in the world, Africa has 23 of them.

Malaria: The situation is worse now than it was 30 years ago. Malaria accounts for perhaps 100 million cases of the disease every year with perhaps one million children dying from it.

AIDS: The disease is particularly prevalent in Africa. There is a belt of African countries straddling the equator that are especially hard hit and it is predicted that there will be serious population losses in these countries by the end of the century.

Fourthly, water and sanitation, an area very dear to my heart. Less than one-third of the people in Africa have access to a safe water supply, even fewer have access to sanitary latrines.

Oral Rehydration, which has proved to be a remarkable intervention in saving lives unfortunately does nothing to reduce the incidents of diarrheal disease, nor does it cure the causes of diarrheal disease. The only way to approach these problems is through investments into safe water, adequate latrines, and hygiene education.

I would like to point out that we can build low-cost public sandpipes and simple but sanitary latrines for between $5 to $10 per person per year.

AID HEALTH ACCOUNT

The third area I wish to point out is the AID health account, which has decreased from $162 million in fiscal year 1987 to a requested $120 million in fiscal year 1988. Even with the additions of the Africa fund projected for it, there still will be a shortfall of perhaps $20 million below fiscal year 1987's level.

There are three reasons to maintain funding levels here. The first is the need to maintain progress in Child Survival.

The second, to address the serious health situation in Africa.

The third, to reverse the decline in water and sanitation funding that has occurred in recent years. Perhaps a billion people in the world are without safe water, perhaps twice as many without even the simplest sanitary latrine facilities.

In fiscal year 1987, AID had an operating year budget of $43.7 million. In fiscal year 1988 it has requested only $32 million for water and sanitation. In Africa, the world's poorest area, the AID response is the the poorest. Currently, AID is requesting only $3 million of new funds for water and sanitation projects in Africa.

CIH RECOMMENDATIONS

In summary, the National Council for International Health would like this committee to consider four recommendations. First, the AIDS epidemic should be treated as an international emergency. New funds should be committed to this battle.

Second, the Africa fund should be supported as a means for working with African countries and the health component of the fund should be emphasized and given priority.

Third, the AID health account should be maintained at least at its current level of $162 million. This is necessary to maintain the progress and momentum that has been developed through earlier investments.

Fourth, the Child Survival Account should be maintained at its current level of $75 million, with emphasis on how the program can even more effectively contribute to primary health roles.

Thank you very much. I appreciate the opportunity to be here.

[The prepared statement of Mr. Morgan follows:]

NCIH

NATIONAL COUNCIL

FOR INTERNATIONAL HEALTH

Russell E. Morgan, Jr., Dr.P.H.
Executive Director

Senator Inouye, Committee members, thank you for the opportunity to present testimony today on behalf of the National Council for International Health (NCIH). My name is Russell Morgan and I am the Executive Director of NCIH.

NCIH is a private, non-profit organization which has, since its establishment in 1971, worked to provide leadership and to strengthen the United States' response to international health needs, especially in developing countries. NCIH provides a non-partisan forum for information exchange among its 160 institutional members and its 2000 individual members. NCIH is unique in its ability to act as a bridge for cooperation between the public and private sectors. As the largest international health association in the United States, NCIH works to improve policies and to increase public awareness of the critical need for basic health care in developing nations.

I am aware that many knowledegable members of your committee share NCIH's concerns over the current state of poor health conditions in the developing world. Not only do these conditions create a situation of social injustice, but they also undermine economic productivity and growth, sparking political discontentment. No individual, no matter how poor nor in whatever country of the world, can rationalize the death of a child or loved one when that death results from a preventable health problem. Enabling people in developing countries to do more about preventing their own health problems is the single most important contribution which U.S. international health assistance has provided.

The leadership in moving our country's foreign assistance program in that direction is due in no small part to Congressional efforts. That, Mr. Chairman, is the most important point I want to make today. Congress can and has over the last several years provided the policies which guide our public efforts. The impact of these policies has been extremely encouraging as increased individual responsibility and prevention have become the central focus of our international health efforts.

As a result, much has been accomplished - -

First, the international Child Survival Campaign is progressing well. No matter in what region of the world we look, we see substantial progress being made in laying the foundation for improved childrens' health. While much hard work remains to be done in the third world countries to make the dream of child health a reality, there have been some very favorable developments.

In India, Prime Minister Rajiv Gandhi has committed the nation to immunizing 85% of all infants by 1990. With the help of AID, WHO, UNICEF, The World Bank, and other donors, this will save the lives of more than 800,000 children per year. The program has already begun, with 90 districts taking on the challenge.

National vaccination days have now been instituted in many countries in Latin America, including: Bolivia, Brazil, Ecuador, El Salvador, Guatemala, Nicaragua, Paraguay and Peru. In Ecuador, for example, under the leadership of the First Lady, "National Day for Child Health" was instituted. As a result, in some parts of Ecuador the immunization rates have increased three fold. The Americas Regional Office of the World Health Organization, the Pan American Health Organization (PAHO), has recently announced a major initiative to work with public and private groups in eradicating polio in Central and South America and the Caribbean by 1990.

In China, government officials have said that 85 percent immunization will be achieved in all counties by 1990.

The number of doses of vaccine supplied by UNICEF to over 100 developing countries has tripled from 125 million in 1982 to 377 million in 1985. This is encouraging not only because of the availability of the vaccine but also the ablility of the health systems in these countries to administer the immunization program.

Oral Rehydration Therapy (ORT) to combat dehydration is now being used by an estimated 12 percent of the world's parents. Egypt's success is particularly notable. Since 1983, the government of Egypt has been attempting to put ORT at the disposal of all Egyptian parents. Today, 96 percent of those parents know about the new therapy and 82 percent have already used it. There has been a worldwide rise in the production of ORT packets of salts from 50 million in 1981 to more than 300 million in 1986. ORT therapy is now estimated to be saving the lives of over half a million children a year. The new developments with cereal based ORT - mean that this low-cost technology will be more accessable to an even greater number of families in the developing world.

Of course there are problems, and much remains to be done, but the record is one of very substantial progress.

A second bright spot is the present commitment of U.S. public and private institutions to world-wide primary health care, and to the child survival campaign specifically. Much of this is due to Congressional leadership, and to effective management of the programs by the Administration staff in the Agency for International Development (AID). I hope you have all had the opportunity to review the excellent second report to Congress which AID has prepared on the Child Survival Program.

The $75 million authorized in 1987 by Congress for the Child Survival Fund sent an important signal to the U.S. international health community. For the first time in several decades, there was an on-going commitment by our government to a priority set of international health initiatives. The importance of this Congressional policy decision, is that it created a new level of confidence which in turn enabled the public funds to leverage increased private funds to support these activitess. Foundations as well as voluntary organizations have seen this as a special moment in which they can maximize their resources. The net result has been an overall increase in U.S. funding for international health. This has provided an important incentive whereby other countries and the major international agencies (WHO, UNICEF, World Bank, etc.) have increased their commitment. All of this would not have been possible without Congressional leadership.

In 1988, however, AID is requesting $61 million for the Child Survival Fund, down $14 million from 1987. This difference is the amount that AID has programmed for Child Survival Fund activities in Africa for 1987, and there are indications that at least this level would be programmed in

1988 if AID succeeds in obtaining its Africa Fund. This is certainly something that will need to be monitored to ensure that AID continues to support the Child Survival Fund overall at the same level in FY-1988. In the past, NCIH has had some reservations about the willingness of AID to undertake child survival measures on the scale necessary for even reasonable success. For example, in 1985, the year after thes the Child Survival Fund was established, AID proposed to collapse the CSF into the health account once again and drastically reduce funding for the health account. We believe that the level of commitment of the Agency increased last year, especially that of its Administrator even though the agency requested less funding for Health and Child Survival for 1987 than were provided by Congress in 1986, and although the official position of AID was one of opposition on S. 1917 and H.R. 3894, the Universal Child Immunization Act, which became law as P.L. 99-529.

A third reason for optimism is the support the U.S. Congress has given to the Child Survival Fund and to related international health priorities. There was very strong bipartisan support for S. 1917 and H.R. 3894, which, as finally passed into law, increased the Child Survival Fund to $75 million, with $50 million earmarked for immunization and ORT. There were 257 cosponsors of H.R. 3894 and 62 cosponsors of S. 1917, a clear majority in both houses (see attached list). We thus have a majority of both houses of Congress that have at least a basic understanding of the actions being taken internationally and by the United States to reduce mortality and reduce the health of third world children. This should be the basic political frame of reference for U.S. assistance to international health in future years.

A major part of our optimism is due to this committee, and especially you, Mr. Chairman. Let me state several important ways this committee has helped third world children: When the Child Survival Fund was first established, you supported its $25 million authorization with an equal appropriation. Confronted with a large number of foreign policy issues, you listened and you acted. You supported an increase in the Child Survival Fund the second year, using money which you identified from the Lebanon account. Also, you identified a major failing in the AID health program --- the lack of sufficient health professionals — and made an innovative and balanced legislative response to this problem by allowing $5 million for Public Health Service professionals to work with USAID. We would thus like to thank you and the committee for the support for and oversight of this important worldwide initiative to help those who are most vulnerable.

I have three elements of bad news, however:

1. AIDS (Acquired Immune Deficiency Syndrome)

Six years ago the world had not heard of AIDS. On April 1, 1987, President Reagan declared AIDS to be "public health enemy number one" in the United States. And while this virus has been spreading silently throughout the U.S. it has also been establishing a foothold in nearly every other country of the world.

Today, we are on the **verge of global AIDS epidemic.** Already there are 115 countries reporting the presence of this disease, with virtually no country untouched. As of last month 51,751 cases has been reported to the World Health Organization (WHO) which has been requested by the United States and its 158 other member countries, to assume the leadership in developing a global response to this frightening situation.

We are now going through a second stage of the AIDS epidemic. As you know, the incubation period for the virus can be at least 5 years. Therefore it is extremely important for a global surveillance strategy to be developed and implemented. For example, even though 51,751 cases have been reported from 115 countries, officials estimate that the number of actual cases may be closer to

100,000. Even more serious is the number of infected persons who are now estimated to be between 5 and 10 million worldwide. Given the multiple ways by which this disease can be transmitted (sexual contact, blood products, unsterile needles, and mother to children), it is estimated that by 1990 there may be between 50 and 100 million infected people in the world. Over the next five year period, it is our scientists best judgement that nearly 50% of these individuals infected will develop some level serious health problems. A more disturbing issue is that this disease is so new our scientists really do not know what to expect in the long term future.

We are also beginning to witness the impact which AIDS is causing, particularly in the developing countries. Because AIDS occurs in the 20-49 year old population, the bulk of the work force, it is rapidly becoming a major economic threat. AIDS also has impact on infant mortality rates. In certain parts of some developing countries, 10 percent of pregnant women are now known to be infected with the AIDS virus. Based on conservative estimates, approximately 40 percent of their children will be born with AIDS and of these nearly half will die before their first year. Therefore, it has now become clear that women who become pregnant accelerate the rate at which AIDS spreads.

Finally, it is important to mention the social stigma which AIDS causes. Examples of this are the proposed travel restrictions which are being suggested, particularly to and from developing countries. The economic and political repercussions of "quarantine" on a country are easy to predict.

Mr. Chairman, we are at a historic point in global development. The expansion of this international health problem has the potential of undermining our entire economic and political foreign assistance strategy. We have two options; we can wait and react to the consequences of this potential disaster, orwe can work with other countries around the world in undertaking a coordinated global prevention program designed to control. As you know from statements made by Dr. C. Everett Koop, Surgeon General and Director of the Department of Health and Human Services' Office of International Health, there is no guarantee that a vaccine will be developed before the year 2000. We cannot wait and see. Public education is the key.

With the endorsement of all its members, the World Health Organization (WHO) has announced a global strategy to combat the AIDS epidemic. This strategy is composed of two parts. First, it supports the development of National AIDS programs in all member countries. In those 120 countries where resources are limited, WHO will be seeking extra budgetary resources to assist them in developing national programs designed to expand public education, training of healthcare workers, lowcost diagnostic procedures, blood donor screening, epidemeological surveillance, aseptic equipment and counseling. Second, WHO will be working at the global level to provide leadership for international coordination and cooperation in the areas of common standards, information collection, analysis and exchange, epidemiology and research. In calendar year 1987, WHO estimates it will need at least $40 million to begin this initiative. Given the rapid expansion of AIDS, this funding requirement could increase beyond one billion in the next few years. Currently, for example, WHO only has 12 professionals working in Geneva on this global AIDS initiative. The leader of this team is an American international health professional.

The efforts of our own Agency for International Development (AID) in regard to AIDS began with a $2 million contribution to WHO in FY-1986, the first commitment to the WHO global initiative. In FY-'87, AID has reprogrammed an additional $10 million which it is using for its AIDS support. AID has also finalized policy guidance on AIDS for its field staff, contractors and grantees.

Unless new funds, however, are made available very soon to support these efforts, we will become affected by a global epidemic of a magnitude and impact difficult to envision. The impact on our foreign assistance programs could be disasterous.

2. Health Assistance to Africa

Funding for health programs in Africa has been reduced from $32.8 million in FY1986 to $27.3 million in FY1987. With the new Africa fund, it is not clear what the anticipated total will be for FY1988. As Africa has the world's greatest health needs, the lowest incomes and the fastest growing populations, the $5.5 million cut will be deeply felt. U.S. health assistance for Africa does not reflect the magnitude of its health problems. The case for at least maintaining health funding for Africa:

> Child mortality: 23 of the 32 countries with "very high" mortality for children under age 5 are in Africa. UNICEF defines "very high" child mortality to be 178-329 deaths per 1,000 live births. This compares, for example to the U.S. rate which is 13/1000. African health programs emphasize child survival heavily, but it appears that 1987 funding for child survival will not reflect their disproportionately high needs.
>
> Malaria: Experts report that the malaria situation in Africa is worse than it was 30 years ago. With over 100 million cases per year, and at least 1 million deaths annually in children under age 5, malaria remains an unchecked cause of suffering and death. It is also one of the major deterrents to economic growth, adding at least 10% to the costs of production because of worker sickness and reduced productivity. U.S. foreign aid for malaria programs continues to be reduced at a time when both programs and research need increased funding.
>
> AIDS: Although the extent of the AIDS epidemic is not completely known, there is no disagreement that AIDS is a health crisis in Africa. In Zambia alone, for example, there will be an estimated 6000 cases of AIDS in infants by the end of 1987, compared to 400 cases of AIDS in infants in the U.S. to date.
>
> Sanitation and Water: WHO estimates that only 34 percent of the African people have access to safe water, and only 29 percent have adequate sanitation. Despite oral rehydration's popularity for fighting diarrheal diseases mortality, ORT will never change the incidence of these diseases. Only investments in preventive education together with low-cost sanitation and water systems can reduce deaths on a long term basis. Funds, however, are lacking.

There are low-cost technical interventions which can be utilized to access these problems. For example, public health communication and marketing strategies in family planning and child survival should be expanded to promote AIDS education. Similarly, expansion of marketing and distribution systems for condoms could do much to stop further transmission of AIDS. "Sanitation systems" often amount to nothing more complicated than well-designed latrines. Proven child survival programs need to be expanded to new areas.

A major concern is that there are not sufficient numbers of AID personnel presently in the field to work with local governments and private institutions to develop strategic projects necessary to address these growing health needs. Anticipated reductions in AID field personnel in 1987 will make a bad situation even worse. African nations have indicated that health programs are priorities for them and U.S. reductions in funding and personnel will hurt national efforts designed to meet the basic human need of health .

At a recent meeting in Nairobi, Kenya, need was expressed to incorporate "safe motherhood" activities as a compliment to into child survival strategies. Similarly, both African nations and their foreign donors are seeking to develop ways of sustaining successful health programs in their countries. These are but two examples of important progress being made by African governments and their people to insure that health is a priority of their development process. Our AID field staff play a vital role in maintaining the direction and momentum of these initiatives.

3. AID Health Account

A third major problem is the reduction in the level of U.S. international health assistance. The overall AID health account has decreased from $162 million in

FY1987 to a requested $120 million for FY1988. Including the estimated Africa portion from the proposed Fund still leaves the health account some $20 million short of the FY1987 level. We have given two critical reasons for maintanence of the health account: the progress in child survival and the health situation in Africa. Let us add one more -- the decrease in funding for water and sanitation programs. Less than one-half of the people in developing countries have reasonable access to reliable sources of safe drinking water and less than 30 percent have adequate sanitation facilities. AID funding for water and sanitation programs through the health account has decreased from $24.8 million in FY1985 to $9.8 million in 1987 to $4.8 million in FY1988. These are very strong arguments for maintaining health funding at a minimum of last years level.

In summary, Mr. Chairman, we believe that the need for U.S. government commitment to international health has never been greater. As such, we would hope your Committee will consider the following recommendations:

* **THE INTERNATIONAL AIDS EPIDEMIC** should be treated as as international emergency. Special **new** emergency funds should be allocated to support the special program on AIDS established by the World Health Organization and to support coordination of relevent U.S. agencies with the World Health Organization in its effort to combat the AIDS disease.

* **THE AFRICA FUND** should be supported as a creative approach FOR cooperating with African countries in seeking solutions to their development needs. Health has been shown as a high priority, and therefore should be emphasized appropriately. This emphasis should include increasing United States-AID field personnel responsible for health.

* **THE AID HEALTH ACCOUNT** should be maintained at its current level of $166 million. If we do not maintain our momentum in program operation and research, our previous investments will begin to fail.

* **THE CHILD SURVIVAL ACCOUNT** Should be maintained at its current level of $75 million, with continued special emphasis on immunization.

Mr. Chairman, I again want to thank you for inviting me to speak before your committee today. We believe with your leadership the international health component of our foreign assistance program will maintain the strong support which the American people believe it deserves.

ADMINISTRATION OF HEALTH ASSISTANCE TO THIRD WORLD COUNTRIES

Senator HARKIN. Mr. Warner, is it Dr. Warner?

Dr. WARNER. Yes.

Senator HARKIN. Dr. Warner, thank you very much for your fine statement. I just have a couple of questions.

Each year the Congress is forced to add to an inadequate budget request or to provide reasonable funding for the health account. AID on the other hand says it is too difficult to program health assistance to the third world.

Would you comment on that, do you agree?.

Dr. WARNER. I disagree with that, Mr. Chairman. Part of the reason, I believe, AID makes that statement is they have consistently reduced the professional staffing they have in the area of health over the past 10 years.

I don't have the figures available, but there has been a severe drop off of health staff within the agency who are able to work on this programming.

INSUFFICIENT HEALTH PROFESSIONALS IN AID

Senator HARKIN. You believe there is an insufficient number of sufficient health professionals in AID?

Dr. WARNER. Absolutely.

Senator HARKIN. Could you provide us with this information?

Dr. WARNER. I would be happy to provide you with some statistics on this.

Senator HARKIN. On what has happened to health professionals in AID over the last dozen years, as well.

Dr. WARNER. I will put this information together for you and send it to the committee.

Senator HARKIN. I appreciate that.

[The information follows:]

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT HEALTH PROFESSIONALS IN AFRICA*

AID/Washington	April 1977	April 1981	April 1984	April 1987
Bureau for Science and Technology:				
Office of Health	16	11	11	16
Office of Population	58	41	41	40
Office of Nutrition	12	5	5	5
Bureau for Africa: (total HPN personnel)	3	8	6	5
Sub-total (Wash. DC)	89	65	63	66
USAID Offices/Missions in Africa (Africa Bureau only)				
No. USAID Offices	21	34	34	36
Health Officers (incl. those with pop. and nutrition responsibilities)	13	20	18	15
Population Officers	2	4	4	10
Sub-total (Africa)	15	24	22	25

Source: AID Staffing Pattern (for each of the dates listed above).

*Only permanent, full-time, mission personnel are included. Unfilled positions are excluded. Also excluded for lack of data are part-time, temporary, contractor, and project-specific personnel.

ASSISTANCE IN FIGHTING AIDS EPIDEMIC

Senator HARKIN. You talked about the AIDS epidemic. Of course, we are all very cognizant of that issue and what the World Health Organization's efforts in this area have been.

What level of assistance, maybe you said that but I want to make it clear again, what level of assistance does the National Council of International Health recommend as the U.S. contribution to this effort for fiscal year 1988?

Dr. WARNER. The National Council for International Health believes an appropriate level of assistance, at this point, would be at least $30 million, with perhaps half of that being devoted to support of WHO programs and half of it being used to support programs within the Agency for International Development.

Senator HARKIN. Half to WHO?

Dr. WARNER. Yes.

Senator HARKIN. And one-half to AID?

Dr. WARNER. Yes.

Senator HARKIN. Thank you very much.

Senator Nickles?

Senator NICKLES. I just wanted to follow-up on the AIDS question. You mentioned the belt of African countries that are being ravaged by this deadly disease.

I have heard statistics that it is being spread heterosexually as well as homosexually. Is that correct?

Dr. WARNER. There are several modes of transmission, but the more common modes depend on the region one is talking about. In Africa, the spread seems to be primarily heterosexual in nature. In other areas of the world, there is greater occurrence of homosexual spread. Another aspect of the spread in Africa is probably the use of contaminated needles.

Senator NICKLES. You mentioned in your statement some high percentages. I have heard in visiting with some experts that there are extremely high percentages in some of the countries, figures that range from 25 to 45 percent of the population possibly carrying the virus.

Dr. WARNER. Those figures are all based on very small surveys and it is very difficult to say with confidence what is the figure. There have been surveys that show that 15 to 20 percent of the pregnant women in hospitals in Kinshasa, Zaire, carry AIDS virus. There are areas in Uganda where more than 50 percent of village populations appear to have AIDS.

Senator NICKLES. AIDS or the virus?

Dr. WARNER. They carry sero-positivity in their blood, so they are carrying the virus in their blood. They may not show infection rates yet.

Senator NICKLES. Fifty percent in certain areas in Uganda?

Dr. WARNER. In some villages.

The official statistics, however, are very misleading, because the countries have only begun to report the disease and in general they have very poor facilities for detecting it.

Senator NICKLES. And they do very little testing as well?

Dr. WARNER. That is right. The testing is relatively expensive.

Senator NICKLES. Do they report deaths as AIDS related deaths?

Dr. WARNER. They are now, but the numbers are very small and they don't reflect the true magnitude of the problem.

Senator NICKLES. Thank you very much.

Senator HARKIN. Thank you very much, Dr. Warner.

Next we will have Mr. Andrew E. Manatos representing the United Hellenic American Congress, the American Hellenic Alliance and the Pancyprian Association of America.

Mr. Manatos, it is good to see you again. Welcome to the subcommittee. Your statement will be made a part of the record, and if you weren't here when we made the announcement earlier, Mr. Collins has a 10-minute time clock here.

ASSOCIATION OF U.S. HELLENIC COUNCILS

STATEMENT OF ANDREW E. MANATOS, REPRESENTING UNITED HELLENIC AMERICAN CONGRESS, AMERICAN HELLENIC ALLIANCE, PANCYPRIAN ASSOCIATION OF AMERICA, HELLENIC COUNCIL OF SOUTHERN CALIFORNIA, AND HELLENIC COUNCIL OF DETROIT

SITUATION IN CYPRUS

Mr. MANATOS. I appreciate the opportunity to testify today. If I might, before I begin, in addition to the organizations that you mentioned, I will also speak on behalf of the Hellenic Council of Southern California and the American Hellenic Council of Detroit.

What I would like to do, Mr. Chairman, if it is all right with you, is to just very briefly touch on the main points of the testimony and then, if I might, speak extemporaneously to some recently developing issues that seem to be on the minds of a number of your colleagues.

If I might begin by reviewing what has occurred over the last year and what caused the Senate Foreign Relations Committee to act as it did earlier this year.

In essence, what happened on Cyprus is that large amounts of American military equipment, which was being sent to Turkey approved by the Congress last year for what I think everybody assumed was NATO military purposes was transshipped to Cyprus. Compounding that difficulty, Secretary Weinberger followed later by Secretary Shultz testified in the Congress that, in fact, this had happened and that this was legal.

The Congress reacted, as you know, and the Senate Foreign Relations Committee has adopted legislation which would strictly prohibit the use of American military aid going to Turkey for NATO purposes from being transshipped to the occupation army on Cyprus.

The Senate Foreign Relations Committee also reacted to the fact that, according to the State Department's figures, Turkish troops have radically escalated on Cyprus very recently. In 1985, it was estimated by the State Department, there were 18,000 troops on Cyprus. In 1987, their estimated are up to 30,000 troops. It is an incredible escalation and an incredible change in the sophistication of military equipment.

FAMAGUSTA-VAROSHA

The Foreign Relations Committee was also bothered by an act on Cyprus that involves an unoccupied area of Cyprus called Famagusta-Varosha. Here Turkey moved to occupy two hotels. This area has been left vacant every since the occupation, for 13 years, as a gesture of goodwill to a reunification, ultimately, of the island. Two buildings were occupied there.

The Foreign Relations Committee also reacted to the fact that Turkish settlers are continuing to be sent to Cyprus under the guise of seasonal workers, and that according to Turkish Cypriot sources in the press, they now believe that the Turkish citizens who have been sent to Cyprus may account for up to half of their population.

I know members of the Senate Foreign Relations Committee reacted positively to the Secretary General's recent report to the U.N., wherein he specifically asked that Turkey stop occupying those buildings, that the military build-up be reduced, and that these buildings be vacated. He encouraged the withdrawal of settlers, not wanting to change the demographic composition of Cyprus.

The Foreign Relations Committee members were worried about the report in Secretary General's report where he talked about a desire to create informal talks between the two, which were favorably received by the Greek Cypriots, but the Turkish Cypriots turned down.

RENEWAL OF AMERICAN BASES IN GREECE

The Senate Foreign Relations Committee also has been very much aware of the need to renew American bases in Greece. As a consequence of that have tried to send signals to the people of Greece, who you know have traditionally always been friends of the United States, in every war they have always been with us, have been very disappointed of late because they see our armaments being pointed at them and threatening them.

The Senate Foreign Relations Committee for the first time in many, many years suggested that the 10-to-7 ratio include grant aid as well. I know this committee took that position last year, and the Senate Foreign Relations Committee took that position this year.

We would hope that this committee would also send these kinds of signals, which are in essence a signal to Turkey that we want to send you aid to keep your NATO forces strong, but you cannot use that against our allies in Greece and on Cyprus.

A message to Cyprus that even though it looks bad, that we know that it is our arms that caused your country to be divided, it is our arms that are now escalating and threatening you, to please remain to be our friend through all these terrorist situations as they always are.

A message to the people of Greece for the referendum on our bases that we are your friend although it may not always appear that way and the Congress in doing a lot of things this year to show that.

If I might, departing from the text, speak for a moment about a recent flap that occurred in the press on American military bases and the meetings were thought to involve the bases, but what it was was a meeting between American Ambassador in Greece, Achille, and the Foreign Minister of Greece, Mr. Papoulias. In this meeting, a demarche was issued and in this country, it was reported that the Greeks reacted very negatively, leaked information to the presses, and threatened the removal of our bases.

As you know, the Greek-American community are as patriotic as any Americans and are very concerned about these kinds of reports, so we spent a lot of time looking into this in great detail. What we found, in fact, is that this meeting did occur and the reason for this meeting is a question to us.

Here is why: Over a year ago Greece appointed a man as the head of antiterrorism by the name of Dioroso Yonies. This man was an anticommunist general in the civil war, very well thought of there, and our antiterrorist people raved about this man. He has done a great deal in the cooperation with Greece and our antiterrorist people has been terrific.

If we have intelligence information that suggests that some things may be going on with terrorists in Greece, this is the channel it would go through and go through quietly. Instead, our government shows a very formal seldom used system of demarches, in fact, double or triple demarches. These demarches are attention getting.

It was a disappointment to us that they even used this technique, because, as you can imagine, terrorist information in Greece is devastating. It devastates the tourism industry and the Greek economy, so it is a big negative and seen as a big negative to approach it. That was a disappointment to us.

Now, on the question of who leaked what to the press, here is what we found. We looked at everything that was written on the subject both in Greece and the United States, and we found this: That the meeting occurred on a Thursday. That evening something was written in the Greek press that would suggest that some people had spoken with Greeks, but here is what that article says.

It said, the meeting involved terrorism and the Greek government was reacting negatively against it. Then it said very specifically that they would not give details of what when on in the meeting because there was an agreement between the Greeks and the United States not to give details.

The very next morning, the New York Times article appeared, which gave all the details. It said Abu Nidal has been, there is strong evidence proving, on and on, every detail which was very detrimental to Greece, of course.

On the question of who leaked, I think one can conclude that if the agreement was not to explain the details of what went on in that meeting, clearly we did. If, however, the agreement was not to even bring any of the subject up, then one could argue that the Greeks did.

A reading of those articles will make it clear to everybody here that it is not a case, as has been portrayed, where the Greek Government has reacted very negatively in an unwarranted fashion toward the United States.

We would like to get that issue behind us, because we find in talking to a lot of Senators and members of the House that they tend to focus on this kind of thing, and they tend to get an impression of Greece that it is a country that does not want to be cooperative with the United States.

I am going to tell you from working on this thing for many, many years, as you know our community can be very upset with the Government of Greece and the Government of Cyprus if they go in directions not in the Americans best interest, but on this matter, I can tell you from what we have seen, the indications are excellent and that we think things will proceed well on the basis, if we in this country are simply judicious in the way we deal with our allies in Greece and Cyprus.

[The prepared statement of Mr. Manatos follows:]

STATEMENT OF

ANDREW E. MANATOS

ON BEHALF OF

THE UNITED HELLENIC AMERICAN CONGRESS

THE AMERICAN HELLENIC ALLIANCE

THE PANCYPRIAN ASSOCIATION OF AMERICA

THE HELLENIC AMERICAN COUNCIL OF SOUTHERN CALIFORNIA

AND

THE AMERICAN HELLENIC CONGRESS IN DETROIT

Mr. Chairman, I appreciate the opportunity to appear before you on behalf of Andrew A. Athens, Chairman of the United Hellenic American Congress; George Livanos, Chairman of the American Hellenic Alliance; Philip Christopher, President of the Pancyprian Association; Dr. George Gavalas, President of the Hellenic American Council of Southern California; and Ted Gatzaros of the American Hellenic Congress in Detroit.

Mr. Chairman, as you know the Senate Foreign Relations Committee has spent a great deal of time this year examining questions relating to Cyprus, Turkey, and Greece. Committee members discovered some very disturbing developments, and have adopted legislation which would send appropriate foreign policy messages to those countries. I would like to mention some of the events that have occurred during the last year to which the Foreign Relations Committee has reacted.

1. A great deal of the sophisticated military equipment that the Congress approved for Turkey last year, for what was thought to be exclusively NATO purposes, was instead sent by the Turkish Government to their occupation army on the Republic of Cyprus.

2. The Senate Foreign Relations Committee was further shocked to learn that the Reagan Administration took a position that these transfers of American military equipment from Turkey to their occupation army in the Republic of Cyprus were legal. The Senate Foreign Relations Committee immediately adopted legislative language which would prohibit the transfer to Cyprus of future military equipment going to Turkey for NATO purposes.

3. The Senate Foreign Relations Committee was disturbed to learn that Turkey has greatly escalated its military occupation force on Cyprus. The State Department estimated that there were 18,000 Turkish troops on Cyprus in 1985 and has estimated up to 30,000 troops in 1987. The combination of this radical escalation of Turkish troops on Cyprus and the modernization of military equipment caused the Senate Foreign Relations Committee great concern.

4. The Foreign Relations Committee was also bothered by the fact that two buildings in the previously unoccupied area of Famagusta/Varosha on Cyprus were recently occupied by Turks. This was seen as yet another of the many steps in exactly the opposite direction than is being encouraged by the government of the United States.

5. The Foreign Relations Committee was disturbed by the fact that Turkish citizens continued to be sent to Cyprus as settlers under the guise of seasonal workers. Turkish-Cypriots are quoted in the press as complaining that Turkish settlers on Cyprus now comprise half the number of the Turkish-Cypriots.

6. Members of the Senate Foreign Relations Committee were heartened to read the U.N. Secretary General's most recent report on Cyprus which called for a reversal of the recent Turkish military buildup on Cyprus, called on Turkey to vacate the recently occupied buildings in Famagusta/Varosha, and encouraged a withdrawal of Turkish settlers so as not to change the demographic composition of the island.

7. Members of the Senate Foreign Relations Committee were disappointed to read that part of the U.N. Secretary General's report indicated that the recent suggestion for informal discussions between the Turkish-Cypriots and Greek-Cypriots had been rejected by the Turkish-Cypriots. This was particularly disappointing in light of the fact that the Greek-Cypriots had accepted the U.N. Secretary General's suggestion for informal discussions.

8. The Senate Foreign Relations Committee is very much aware of the fact that our bases in Greece will be up for renewal very soon and that the decision on our bases will ultimately be determined by a referendum in Greece. The Foreign Relations Committee made sure that the people of Greece understood that the American people were concerned about any misuse of American arms which could be threatening to their lives and that the American Government is sensitive to Greece's resulting military needs. As you know, the Senate Foreign Relations Committee provided grant military aid to Greece at a 10 to 7 ratio with that which would go to Turkey.

Mr. Chairman, it is my hope and the hope of the Greek-American organizations I represent that the Foreign Operations Subcommittee will act in a way which will send very clear messages to the country of Turkey indicating, as did the Senate Foreign Relations Committee, that American aid is not to be used against Greek-Cypriots or the people of Greece, and that an immediate withdrawal of Turkish troops from Cyprus is a crucial first step to any settlement of that problem. It is also our hope that the Senate Foreign Operations Subcommittee will send a message to our long-time allies, the people of Greece and the people of Cyprus, indicating that we are truly their friends, although some indications from some parts of our government may suggest otherwise.

Thank you, Mr. Chairman.

NEGATIVE OUTLOOK IN U.S.-GREEK RELATIONS

Senator HARKIN. Andy, thank you very much for a fine statement. We will, as a subcommittee and as individual members, look into this further through briefings to get to the bottom of this.

Senator NICKLES. Mr. Chairman, I would like to make a quick comment on that.

We did discuss that briefly in meetings with the Secretary and some other people, and that was not the rendition we had heard from the State Department. Also, you are the second witness who has stated you thought things would go well with the bases, but I have inquired on a couple of occasions how the negotiations were going and they are stalemated. Statements by Mr. Papandreou have been very negative and we read the paper too. That to me has not been fruitful. I was in Greece a few years ago, when Mr. Papandreou was running for reelection, and I heard a lot of anti-United States rhetoric from him.

It is interesting when you have people coming before this committee and others talking about how great the relationship between the people of Greece and the United States is, and the ties and alliances have been very fruitful for both countries. I would agree I think, but I am disturbed when we continually hear and read the very negative statements made by Mr. Papandreou. I wanted to make that comment.

Mr. MANATOS. If I might react to that for just a moment, I think the Greek-American community would agree with you. In the first campaign of Mr. Papandreou a number of things were said that can be characterized as you described them. But, if one looks very closely at what is said now, I think you will find it is not all, it does not at all fit that category. It is frequently reported in this country as though it does, but it really is not.

This is a perfect example, some statements were made after this recent episode that would suggest that if we are going to be treated this way, maybe the bases won't be renewed. I have to say that I think, if the shoe were on the other foot, you were in that situation and you felt you were being set-up and you felt you were innocent, and somebody was coming to you wanting you to renew the bases, you might react the same way.

It was not, as has been described, an unprovoked attack, and one thing that is really disturbing about the whole issue is it is even getting in the way of the Cyprus issue. As you know, Cyprus is a completely separate country, which has been victimized horribly, for this flap that recently occurred to have any influence on that issue should not happen. It really is irrelevant to it.

Getting back to the flap, when the subcommittee does look into it further, I would appreciate it if we could have an opportunity to bring to your attention on a point by point basis what we have found on this issue, because there is a great deal there that isn't presented in the standard presentation.

Senator HARKIN. If I might add from my own observations, as a casual observer reading the history and watching what happened in Greece since I have been in the Congress, it occurs to me that a couple of things have happened which might tend to affect U.S.-Greek relations today.

One is when the Generals took over Greece, while the United States sort of sat back. We didn't really help the democratic forces of Greece. Many of them risked their lives and gave their lives to try to overthrow that very repressive government that took over Greece, while we let it go. I think it we could have had a much greater influence in helping the democratic elements of Greece at that time.

The second thing, of course, is the use of U.S. military aid by Turkey in Cyprus. We averted our eyes from that. As you pointed out, Greece has been a long time ally of ours, provided the bases and everything.

One can, just looking at those two instances, understand why there might be some comments made like the ones referred to earlier.

Senator NICKLES. If I might add one follow-up question. You indicated that you did a lot of homework concerning this recent flap. Have you been in contact with the government directly? Are you representing the government in your statement?

Mr. MANATOS. Not at all. I don't represent the government in any of my statements.

Senator NICKLES. Have you been in contact with the government?

Mr. MANATOS. We do all the time on any of these matters, when we are digging this out, we dig through every channel in the American or Greek government.

Senator NICKLES. When you are trying to get information, you are on fairly high levels?

Mr. MANATOS. As high up as we can in both.

Senator NICKLES. How high did you get?

Mr. MANATOS. On this particular question, we got quite high. I would be happy to talk with you privately about everything that we found out. Because, as these things were breaking and being reported, we really wanted to find out who did say what and what did happen.

Senator NICKLES. Did you get to the Foreign Minister level?

Mr. MANATOS. If we could talk privately about it, I would be happy to tell you precisely. I have to tell you that the Greek-American community is as concerned as you are when these things happen, and you will not find us getting out in front of the facts on these things, because you will never find the Greek-American community as apologists for the Greek government, the Cyprus government or any other foreign government, but you will find us trying to dig up facts from as high a level as we can get them and to then present what we found.

Senator HARKIN. Thank you very much, Mr. Manatos.

Next is John Palmer, III, Executive Director of the Helen Keller International, Incorporated.

Mr. Palmer, welcome to the subcommittee. Your statement will be made a part of the record and, as you know from our past witnesses, we have 10 minutes, so please proceed.

HELEN KELLER INTERNATIONAL, INCORPORATED

STATEMENT OF JOHN PALMER, III, EXECUTIVE DIRECTOR, HELEN KELLER INTERNATIONAL, INCORPORATED

ACTIVITIES OF ORGANIZATION

Mr. PALMER. Thank you, Senator. My comments this morning will abbreviate, summarize my formal testimony submitted earlier.

Helen Keller International is a private voluntary organization dedicated to the eradication of avoidable blindness. As such, we deal with the tragic, life threatening, and blinding effects of vitamin A deficiency on a public health scale. I thought this morning, rather than engaging in a great many statistics, I would like to share the impact of our work, which perhaps is best seen in real stories about individual children.

I would like to draw your attention to this young East African boy. When one of our Helen Keller International survey teams first met him, he showed grave signs of vitamin A deficiency. His left eye, you will notice, is destroyed. He suffered from life threatening diarrhea, and he also had a respiratory disease.

Last year, that same survey team delivered several million doses of vitamin A, this very small capsule, 200,000 international units of vitamin A. This simple vitamin A capsule saved this boy from total blindness. It probably saved his life.

In that megadose of vitamin A, which we call a golden bullet, costs less than two cents. I believe 1.6 cents exactly.

Senator HARKIN. How often does he have to take those?

Mr. PALMER. Twice a year.

You take those megadoses of vitamin A twice a year, and that is enough in the nutritional supplementation for a child to offset, stored in the liver, nutritionally caused blindness.

When a child presents with this kind of corneal destruction that right eye cannot be saved, but the megadose of vitamin A given to this child with a follow-up dose within 2 weeks and then a regular dose 6 months thereafter, provides enough nutritional supplementation to save the rest of his eyesight—1.6 cents a dose and it is that megadose that wards off, also, infectious diseases that kill third world children by the thousands every day.

There are 65 million children like this boy that Helen Keller International alone aims to reach with vitamin A by 1989. Since we at HKI have been involved in the vitamin A story from its beginning, working in many of the 57 countries where vitamin A deficiency is a public health problem, I am here to summarize for your the importance of vitamin A in the child survival effort and the urgency for the continued support of Congress for this distinctly American initiative.

Two years ago, Congress took steps to fight the tragedy of needless blindness and death caused by vitamin A deficiency by authorizing a 3-year, $24 million vitamin A earmark as part of our foreign assistance. Congress in so doing generated a new worldwide momentum to eradicate vitamin A deficiency.

Along with Helen Keller International, multilateral organizations like UNICEF and the World Health Organization, other PVO's such as CARE and Save the Children, Johns Hopkins University and Cornell and indigenous agencies in developing countries all joined in this effort.

Together we are making a real impact and our activities have taken giant steps forward, both in the number of countries served, from Haiti to Indonesia, and in the range of our work. With the support of the Agency for International Development, Helen Keller alone has vitamin A programs in Asia, the Pacific, the Caribbean and Africa.

These special United States funds for vitamin A have made possible enormous advances. What are agencies like ours doing?

We are expediting the delivery of millions of doses of vitamin A capsules to children in danger by training tens of thousands of health workers to prevent, diagnose and treat vitamin A deficiency. We are using vitamin A in tandem with other child survival strategies such as those we had described earlier, immunization and oral rehydration therapy. A computerized surveillance system is being developed, which will serve as a model for all of Asia, and new studies of the efficiency of the delivery system are seeking an even lower cost for delivering life saving doses of vitamim A.

As development agencies, we are committed to long-term self-sustaining solutions to the vitamin A problem. Capsule distribution is only a superficial way to deal with the problem for a short term length of time. So, we are all involved in the fortification of commonly used foods, like wheat, and in education to the affect behavior change.

For example, we encourage prolonged breastfeeding of infants and the regular consumption of vitamin A enriched dark, green, leafy vegetables.

The need is so much greater than our current programs can encompass. We have just started to reach out to vast unserved areas of Africa, where the problem is desperate, and by providing technical assistance for vitamin A programs to several African countries and to other U.S. PVO's already established in Africa, Helen Keller is extending its experiences and its success.

Already, as I have illustrated graphically, many lives and many young eyes have been saved by the vitamin A child survival effort. For most nations, vitamin A programs are still in their infancy. Distribution networks, health worker training, and long-term solutions like food fortification, and the campaign for dietary change, all require more time and renewed commitment before the full fruits of these efforts can be seen.

Indigenous PVO's need technical assistance to mount their own vitamin A activities. Health ministers must be convinced to give this inexpensive, but effective, intervention its deserved place in their country's health agendas, and many nations with severe vitamin A problems still need to be embraced by the vitamin A child survival movement. According to UNICEF, current vitamin A capsule procurement covers less than one-quarter of the estimated worldwide need.

With the additional funds secured by a third year of the vitamin A earmark, an earmark, which I learned yesterday has been included in the House bill, all of these absolutely essential vitamin A activities can be brought to national scale in many countries and introduced to children like this young east African.

By way of summarizing, our efforts have put together vitamin A on the world's public health agenda. We are saving sight and we are saving lives, and that is very good news. Congressional encouragement has linked together the scientific community, the international public health agencies, and private voluntary organizations like ours is a heroic effort to eradicate the devastating effects of vitamin A deficiency.

This is a battle that we can win. This is good news. In fact, it is a battle that we are winning, and it is a victory that in the economy of things, at the point of 1.6 cents per golden bullet, is incredibly inexpensive. We have leverage, we have momentum, and because we care about the world's children, we must finish this job.

The momentum that Congress began in 1985 must be continued just as its real power to save lives is being felt. Every minute of this presentation another child's sight is being lost to vitamin A deficiency. Most of these children will die, and many millions will succumb before they go blind. It is a situation that we are in a unique position to change, to save lives, and to save and restore vision, and with that life and that vision, to give hope to the poorest of the poor in this world.

Thank you.

[The prepared statement of Mr. Palmer follows:]

TESTIMONY
JOHN M. PALMER, III
EXECUTIVE DIRECTOR
HELEN KELLER INTERNATIONAL

I am John M. Palmer, executive director of Helen Keller International, a pioneering organization in the fight against life-threatening, blinding vitamin A deficiency in the third world. I come before you to speak for 100 million children in some 57 developing nations who are at risk of blindness, disease, and even death because they lack a simple nutrient, vitamin A. And I speak as a representative of all humanitarian and overseas development agencies committed to the struggle for these children's survival.

Infectious respiratory and diarrheal diseases take a higher toll worldwide than any other cause of child death; vitamin A deficiency aids and abets these killers, increasing a child's chance of infection twelve-fold. Vitamin A deficient children are caught in a vicious cycle of disease and deficiency: illness drains their small stores of vital nutrients, and lack of vitamin A impairs their ability to fight off infections. This year, 500,000 vitamin A-deficient children will be permanently blinded, and 1 to 3 million will die without the simple, inexpensive remedy--a semiannual megadose capsule of vitamin A--which it is in our power to provide.

Two years ago, Congress took steps to fight this needless tragedy by authorizing a three-year, $24 million vitamin A earmark within our foreign aid, establishing vitamin A as an integral part of the worldwide campaign for child survival.

Special U.S. funds for vitamin A have made possible enormous advances. The humanitarian work which began in FY86 and is now continued in FY87 must be secured with the third tier of the pledged vitamin A earmark in FY88. I urge your support for this desperately needed aid, and here is why:

The necessity of vitamin A for eyesight, especially in the crucial early childhood years of rapid growth, has long been recognized. Then in 1985, the dramatic medical finding that linked even mild vitamin A deficiency with a 35 to 70 percent higher chance of death gave a new imperative to the vitamin A effort: vitamin A saves sight and life.

The leadership of Congress generated a new worldwide momentum to eradicate vitamin A deficiency. Along with Helen Keller International, multilateral organizations like UNICEF and the World Health Organization; other PVOs such as Care and Save the Children; Johns Hopkins and Cornell Universities; and indigenous organizations in developing countries all joined the effort.

Great strides forward have been made possible by the Child Survival funds earmarked for vitamin A in 1986 and 1987. Drawing from my own files for an example, I can tell you that in Indonesia and Bangladesh, where 80 percent of the children are deficient, Helen Keller International increased vitamin A capsule coverage and improved the efficiency of the distribution network. An alternative means of supplementation, less expensive than the current 1.6-cent capsule, is being evaluated. A full range of vitamin A activities is now in action: training tens of thousands of health workers to prevent, detect, and treat vitamin A deficiency; integrating vitamin A with other child survival strategies, like immunization; educating policymakers about the grave consequences of vitamin A deficiency and the use of appropriate technology for its prevention; establishing a computerized vitamin A surveillance system that will serve as a model for international vitamin A management information systems.

The Philippines also benefits from Helen Keller International's intensive vitamin A programs supported by Child Survival funds, and, closer to home, Haiti has been added.

This year, a new emphasis is placed on long-term solutions to the vitamin A problem: fortifying commonly used foods such as wheat or MSG; "social marketing" to promote longer breast-feeding and consumption of vitamin A-rich fruits and vegetables; and home garden projects to help families grow their own vitamin A foods.

Africa has assumed highest priority. Once again, speaking for Helen Keller International alone, I can assure you that emergency vitamin A activities begun for the Ethiopia and Sudan famine continue unabated, and new programs have started in the Sahel nations of Niger, Mauritania, Burkina Faso, and Malawi, where alarming rates of vitamin A deficiency persist. To extend vitamin A activities quickly to other needy African nations, Helen Keller International has mounted far-reaching technical assistance for eight other private voluntary agencies already involved in child survival programs. This technical assistance activity, made possible by AID funds, covers agencies that are established in Cameroon, Kenya, Malawi, Mali, Niger, and Senegal.

All the programs described--except that in Bangladesh--are pilot programs that must be brought to a national level in each country. In Bangladesh there is a full, national commitment, but coverage is presently at 50 percent of the children at risk.

Much has been accomplished: but much yet needs to be done. A new technique for detecting early vitamin A deficiency indicates that the number of children in dire need of the vitamin is probably 10 times the 10 million already suffering eye symptoms of severe deficiency. Experts believe that 1 to 3 million child deaths each year could be averted by vitamin A interventions. But, according to UNICEF, current vitamin A capsule procurement covers only 21 percent of the estimated worldwide need.

There are many health strategies which could lessen the toll of child mortality and needless disability in the third world, but few as simple or as cost-effective as vitamin A. About three cents' worth of vitamin A provides an irreplaceable safeguard for a small child's life and eyesight. And self-sustaining nutrition education and food fortification projects can assure that our work today will have a lasting impact. In what more effective way could Congress's foreign aid dollar be spent?

Meanwhile, medical research is uncovering more and stronger evidence that vitamin A saves lives. In Indonesia, a study of child mortality rates in villages with and without vitamin A distribution confirmed that vitamin A can reduce child mortality by up to 70 percent. Research on food fortification in Java linked vitamin A deficiency with anemia. And a study of Tanzanian children hospitalized for measles--a rampant cause of child death in Africa--showed that vitamin A supplements halved their mortality rate.

All these factors point to the urgent need for widespread action to eliminate vitamin A deficiency. Already, many lives and many young eyes have been saved by the vitamin A-child survival effort. But most nations' vitamin A programs are still in their infancy. Distribution networks, health worker training, and especially long-term solutions like food fortification and campaigns for dietary change, all require more time and renewed commitment before the full fruits of these efforts can be seen. Health ministers must be convinced to give this inexpensive but effective intervention its deserved place in their countries' health agendas. And many nations with severe vitamin A problems still need to be embraced by the vitamin A-child survival movement.

The momentum which Congress began in 1985 must not be allowed to grind to a halt, just as its real power to save lives is being felt. Every minute another child's sight is lost to vitamin A deficiency. Most of these die. Many millions more succumb before they go blind. These children cannot wait another minute, and Congress should not hesitate another year.

VITAMIN A DEFICIENCY IN AFRICAN NATIONS

Senator HARKIN. Mr. Palmer, thank you very much for your fine statement. I can assure you that this subcommittee will again support an earmark of funds for vitamin A.

The only question I had was that you said there was an alarming rate of vitamin A deficiency in a number of African countries. What is the cause of this? Is it poor nutrition, agricultural production. What is it?

Mr. PALMER. Vitamin A deficiency, the kind that we are experiencing in Africa, is caused by nutrition. HKI, for example, entered the African sector with the Ethiopian famine, and it is in that connection that our African work has begun. Most of it is nutritionally related.

Senator HARKIN. It starts at an early age?

Mr. PALMER. It starts at a very early age.

Senator HARKIN. Is it just that the young children are not getting vitamin A in the earliest stage? Are we talkimg about formula?

Mr. PALMER. Infancy.

Senator HARKIN. What about breast feeding?

Mr. PALMER. In some cultures, breast feeding is not encouraged, and substitutes have been introduced, and that introduces along with it various deficiencies, and vitamin A is certainly one of those. It is a nutritional problem in Africa. It is one that we are seeking to correct. The distribution of vitamim A is a short-term venture, but it is also more long-lasting strategies.

Senator HARKIN. Counsel tells me that it is the gap between the breast feeding and the time when they are 3, 4 or 5 years old that we have the problem.

Mr. PALMER. That is it.

Senator HARKIN. Thank you very much, Mr. Palmer.

Mr. PALMER. Thank you.

Senator HARKIN. Next is Helen Kerschner, President and Executive Director of the American Association for International Aging.

Welcome to the subcommittee, and please proceed. You have 10 minutes.

AMERICAN ASSOCIATION FOR INTERNATIONAL AGING

STATEMENT OF HELEN K. KERSCHNER, PH.D., PRESIDENT AND EXECUTIVE DIRECTOR, AMERICAN ASSOCIATION FOR INTERNATIONAL AGING

PROGRAMS FOR THE AGING

Dr. KERSCHNER. Thank you very much.

Mr. Chairman, I am pleased to be here today representing the American Association for International Aging, known as AAIA, for the dual purpose of discussing the importance of aging to the field of international development and making suggestions and recommendations on ways which the United States, through the Agency for International Development, can contribute to efforts on behalf of the aging in the less developed countries.

I am also pleased to tell you that AAIA is greatly encouraged by Senator Inouye's recognition of the challenge of the global aging imperative as expressed in his aging initiative in the fiscal year 1987 Appropriations Committee reports.

I will focus my brief remarks on five topics, which speak to international development within the context of productive aging. I would like to provide a very brief background of my organization, AAIA, in the context of development, discuss some demographic factors indicating the need for programming for the elderly in the less developed countries, talk about some programs which already exist in the private sector in less developed countries, discuss the challenge of productive aging, and suggest a couple of recommendations for action.

ACTIVITIES OF AAIA

AAIA was established in 1983. Our philosophy is that the elderly have a contribution to make as the conscience of the community is the transmitter of tradition and culture, as the transmitter of tradition and culture, and as the holder of skills which can be shared with other generations. Thus, for the most part, our efforts focus on the well-elderly, as well as on the rehabilitation of the frail elderly, and emphasize the potential resource which elderly offer to their communities. We work in three primary areas, in public education, technical assistance and training, and project support.

FIELD SUPPORT PRACTICES

Our field project support focuses on less developed countries. Our projects are small scale, grassroots, community-based, humanitarian in development and in focus. We work with local indigenous organizations in countries, and at this point do not provide field staff to support our programs. Our programs are, for the most part, in the private sector.

Some demographic features indicating the need for aging, we see a lot in the press, constantly, about the growth of the global population. We very seldom see very much about the growth of the aging population. In fact, the aging population is growing very quickly, from 377 million in 1980 to almost a billion projected in the 60 and over population in the 60 and over population by the year 2020.

In the less developed countries, the population is growing even faster. But what is old in less developed countries?

Not so long ago, I was talking with a banker from Bangladesh who provides loans to women's projects, and I asked him if older women are included in his projects. He said yes.

I said: How do you define older women?

He said: Well, not really as 60 and over, but rather as grandmothers.

I said: What age is that, what chronological age?

He said: Probably 40 to 45.

So our statistical projections that talk about the growth of the global aging population may be just a little bit off. We may have a much larger older population than we are projecting.

There also is a distribution shift of the aging population to less developed countries. In 1960, 49 percent of the world's 60-plus population was located in less developed countries. It is projected that by the year 2020, 70 percent of the world's 60 and over population will be located in less developed countries.

The reality then is that there are older people, and many of them are in need of some assistance, but there is resistance, and for good reason. It is really tied to scarce resources, and the belief that the bulk of the resources should be allocated toward programs for children and other age groups because, in the words of one development expert, children are the future of the country, and elderly are the past.

I don't think that we need to debate it on an either/or basis, either children or elderly. Certainly there are needs for programs for children, for family planning, for nutrition, for health care, for oral rehydration therapy, for training of medical personnel, and for agriculture, but the needs of the population groups need not overshadow cost effective programming which can address the problems and provide opportunities for the elderly.

OPPORTUNITIES FOR ELDERLY

Opportunities for the elderly is really what I want to talk about. Our organization has funded a variety of projects, for example, housing facilities, with income generating projects in India, pottery-making ventures in Kenya—these are all for older people—revolving loan funds in the Philippines, training programs to replicate successful health and income projects in Colombia, eye hospitals and restorative eye care in India, support for older women's organizations in Africa, support for income generating programs in Asia, Africa, and Latin America.

What is the common element in all of these projects? That they are small scale, humanitarian in development, community-based, grassroots, private sector. Interestingly, they all have a common bond that includes productive aging. I think that productive aging does offer us a challenge. We define it as older people, through their capacity, experience, resourcefulness, and capability, have much to contribute to their communities and to their own well-being, and should be provided with opportunities to do so.

It is important to consider the frail elderly in programs certainly, but at the same time that there are options for research and needs assessments for the frail elderly, it is also important to consider an alternative view of the elderly, which is emerging in more developed as well as less developed countries, a view that many older people are healthy, and that their vitality enables them to maintain active roles.

PROGRAMMING

Productive aging actually offers opportunities in two areas, in employment and in volunteerism. What opportunities are offered?

Programming which leverages resources and recognizes older people as resources for Third World countries. Programming which promotes good health, rather than treat illness. Programming which encourages involvement of the elderly in inter-generational activities, rather than ones which isolate them because of age. Programming which is age-specific when older people are excluded from programs for other age groups. Programming which enables older people to contribute to their communities and to themselves.

RECOMMENDATIONS

My recommendations to the committee: I recommend that in developing the fiscal year 1988 appropriations bill for the Agency for International Development, consideration be given to directing AID to place additional emphasis on programming for the aging by including the aging and aged traditional program areas such as housing, agriculture, productivity, job creation, income generation, and micro-business development, preventive health and rehabilitation, women and refugees, and participant training programs.

In addition to providing the requisite funding and financial support, I would hope that the committee would include the expansion of the fiscal year 1987 Inouye Aging Initiative, which emphasizes research in aging for the frail elderly by directing AID to become actively involved in efforts which enable communities to tap into the human resources of older people, and thus enable older people to make a contribution to their communities and to themselves.

Thank you very much.

[The prepared statement of Dr. Kerschner follows:]

American Association
for International
Aging

TESTIMONY

BY HELEN K. KERSCHNER, PH.D.
PRESIDENT, THE AMERICAN ASSOCIATION FOR INTERNATIONAL AGING

Mr. Chairman, members of the Committee, I am pleased to be here today to present information on the importance of aging to the field of international development and to suggest some ways which the United States, through the Agency for International Development, can contribute to efforts on behalf of the aging in the Third World.

Let me begin by saying that the American Association for International Aging (AAIA) is greatly encouraged by Senator Inouye's recognition of the challenge of the "global aging imperative" as expressed in his aging initiative in the FY 1987 Appropriations Committee reports.

Certainly, the United States has much to contribute to Less Developed Countries (LDCs) with regard to experience and expertise in the field of aging, as well as resources. For example, support of small scale, community-based, resource-efficient programs which meet the needs of the elderly and which provide an avenue to tap into the elderly as community resources will be of great value to countries with growing needs and limited resources to meet those needs.

Indeed, the challenge is great and the U.S. response to that challenge in the Third World will send an important message to others about the value which we place on our older population in the United States and our desire to contribute to efforts to solve problems and explore possibilities for the elderly in other countries.

THE AMERICAN ASSOCIATION FOR INTERNATIONAL AGING

I am here today to present to you suggestions and recommendations of the American Association for International Aging (AAIA). AAIA was established in 1983 as a U.S. response to the World Assembly on Aging which was organized by the United Nations. AAIA is the only private, voluntary, non-profit organization in the U.S. which has its programmatic focus international development and aging.

AAIA's philosophy is that the elderly have a contribution to make as the conscience of the community, as the transmitter of tradition and culture, and as the holder of skills which can be shared with other generations. Thus, for the most part, our efforts focus on the well-elderly, as well as on the rehabilitation of the frail elderly, and emphasize the potential resource which the elderly offer to their communities. The two mechanisms by which we promote this philosophy are through socio-economic development and mutual support activities; and through the education of the American consumer, corporate and governmental sectors about international aging and the need for concerted and combined action.

Since our beginning in 1983, AAIA has undertaken a variety of projects which relate to international development and aging. Specific activities in the area of public education include a report we developed on the World Assembly on Aging which was published as a Committee Print by the U.S. House of Representatives Select Committee on Aging; an International Directory of organizations working in the field of aging; and a quarterly newsletter, AAIA REPORTS. Our technical assistance and training activities include the preparation of a strategy guide for working with senior Volunteers for the U.S. Peace Corps; a Retired Senior Volunteer (RSVP) Manual to assist groups in other countries to establish their own RSVP programs; a report for the Agency for International Development titled "Aging Populations in Developing Nations;" and a project to transfer innovations in income-generating projects for the aging to the United States for the U.S. Department of Health and Human Services.

In the area of international project support, AAIA works with a variety of organizations and participates in an international network of organizations called HelpAge International. Its members are, for the most part, indigenous organizations in Third World countries. Through this network, AAIA can contribute financial and technical resources to projects in Less Developed Countries without incurring the tremendous costs of field staff. Additionally, this approach allows the countries themselves to develop and define projects in a way which best meets their needs. Our field projects are based on the assumption that a lot can be done with limited funds if the effort is organized appropriately. Thus our field projects are generally at the community level and require limited resource allocations. To date, AAIA has raised funds from private sector donors in the U.S. to support small-scale, community-based humanitarian and development projects for the aging in Jamaica, Colombia, India, Ecuador, Ghana, Kenya, the Philippines and Peru. Examples include a housing facility and a flour mill for the elderly in India, a pottery-making venture and water wells in Kenya, a revolving loan fund in the Philippines, a survey of the aging in Jamaica, and support for a training program to replicate a successful income-generating program in Colombia.

THE GLOBAL AGING IMPERATIVE

The Graying of America is not unique to America alone. There is, in fact, what has been called "a global aging imperative." What is often not recognized is the tremendous impact of world aging on Less Developed Countries.

Population. During the 40 year period from 1980 to 2020, the world's 60 plus population is expected to increase from 377 million to almost 1 billion. Both MDCs and LDCs will experience growth in their age 60 plus population; however, the age 60 plus population in MDCs will increase more than two times (from 170 million in 1980 to 297 million in 2020), while the age 60 plus population in LDCs will increase by more than three times (205 million in 1980 to 675 million by 2020).

Life Expectancy. Life expectancy for the world as a whole is projected to show a 20 year average increase during the 60 years from 1960 to 2020 (from 50 years in 1960 to 70 years by 2020). During that same period of time, the increase in life expectancy in MDCs is projected to be 8 years (from 69 in 1960 to 77 in 2020); however, in LDCs the increase is projected to be 23 years (from 46 in 1960 to 69 in 2020).

Functional Age Groups. The distribution of the population by major functional age groups is also expected to undergo dramatic changes in the 40 years from 1980 to 2020. During that period, in MDCs the 60 plus age group is expected to be the only group experiencing an increase in size (approximately 7%), while in LDCs both the 15-59 and 60 plus age groups will experience increases of 8% and 5% respectively.

Distribution Shift to LDCs. During the 60 years from 1960 to 2020 it is expected an increasing proportion of the elderly will live in LDCs. It is worth noting that in 1960 barely 49% of the world's 60+ population was located in LDCs and by the year 2020 almost 70% of the world's 60+ population will be located in LDCs.

These statistical projections lay to rest the myth that "nobody gets old" in LDCs. The reality is that they do get old. In fact the number of "old old" (age 80+) is also increasing in LDCs, and it is estimated that by 2025, nearly 60% of all 80+ persons will live in LDCs. However, a second assumption that "when people do get old they are cared for by their families," is also a myth which creates major barriers to action. Although we would like to think that older people in LDCs can depend on the tradition of being cared for by their families, the reality is that in many cases industrialization and urbanization make what was once a probability of family support into what today is only a possibility.

The reality then, is that there are older people, many who are in need of assistance. However, in light of the many socio-health and economic issues which must be addressed by international development agencies in general and the Agency for International Development in particular and the shortage of resources available to address them, the challenge of aging in LDCs must be met in a manner which pays special attention to resource allocations as well its limitations.

RESPONSE TO THE CHALLENGE

Historically, one of the first responses to the challenge of the aging population was the United Nations World Assembly on Aging which was held in Vienna, Austria in 1982. The Assembly included 129 nations of the world and resulted in the unanimous passage of a Plan of Action on Aging and the development of a Trust Fund on Aging. In 1983, the Trust Fund for the World Assembly on Aging approved or earmarked for funding projects with an orientation toward regional or country-wide policy, research and needs assessments. These projects included the following:

Africa

Congo:	The development of national policies and programs.
Ghana:	Research on conditions and needs of older Ghanaians.
Malawi:	An analysis of the impact of the aging population on rural development.
Mali:	Fact-finding mission on the elderly in rural areas.
Morocco:	Development of national policies and programs on aging.

Asia and the Pacific

Exchange of skills program for Asia.

Western Asia

Lebanon: In-service training.
United Arab Emirates: Advisory Mission.

Latin America

Bolivia: Multiple-activity centers for the elderly.

Colombia: National conference on aging and in-service training
for home-help service personnel.
Needs-assessment survey of the urban elderly in Latin America
and the Caribbean

Since AAIA began in 1983, in addition to many requests for support for training in gerontology both in LDCs and in the United States, AAIA has received a number of requests from community-based private sector organizations in need of technical as well as financial support for their efforts with the aging. Several such projects include requests for:

.information on housing design and related services (Asia)
.support for women's organizations (Africa)
.support for housing for the elderly (Africa and Asia)
.support for day centers (Asia and Africa)
.support for residences for the elderly (Latin America)
.information on older volunteer programs (Europe & Latin America)
.support for income-generating programs (Asia, Africa, Latin America)
.materials and training on retirement planning (Central America)
.vehicles for medical transport of elderly (Latin America & Africa)
.assistance in home care and family care (Asia and Latin America)
.medical equipment and supplies (Asia, Latin America, Africa)
.training in long term care (Middle East)
.research in the needs of older people (Latin America)

While these are only a few examples of the many types of efforts which are being undertaken by and for the elderly in LDCs, they represent a broad mix of large and small scale humanitarian and development efforts which focus both on the frail and the well elderly. Certainly, there is a need to respond to both; however, I would like to direct my remarks to the small scale development efforts which focus on the well elderly.

THE CHALLENGE OF PRODUCTIVE AGING

The assumption by many is that the elderly are frail and have acute or chronic ailments or mental impairments which render them incapable of active involvement in society, and that resources must be allocated to solve problems related to their fraility and illness. In the United States, much of the programming which is undertaken in the public as well as the private sectors is directed at solving the problems of the frail elderly.

The resource requirements for much of the research and programming for the elderly which is undertaken in the United States (to say nothing of the technological and infrastructure requirements) are beyond the capacity of many MDCs and certainly most LDCs. Indeed, resource availability and the reluctance to expand programming to include yet another population group has been a major contributor to a lack of programming for the elderly by the international funding community and by LDCs themselves.

Certainly, there is a need in LDCs to explore cost-effective ways to meet the needs of the frail elderly. Home care, day centers, and hospice-type programs are three kinds of programs which are the subject of demonstration efforts and which appear to offer great potential for the future. At the same time, options for research and programming for the frail elderly are being considered, it is also important to consider an alternate view of the elderly which is emerging in MDCs as well as in LDCs.

Today, as has been demonstrated earlier in this testimony, there are more older people than ever before, they are living longer, and in many respects they are healthier. Their ongoing vitality enables them to maintain active roles within their families and their communities. Recognition of this fact opens the door to a variety of opportunities for programming directed toward the well elderly... programming which expands or leverages the resources of the community rather than uses them up... programming which promotes good health rather than treats illness... programming which encourages the involvement of the elderly in intergenerational activities rather than ones which isolate them because of age.

We at AAIA believe that the U.S. should allocate resources to the aging in Less Developed Countries, and that at least some portion of the financial and technical contribution which the United States makes on behalf of the elderly in LDCs could be allocated toward efforts which enable communities to tap into the human resource of older people and thus enable older people to make a contribution to their communities. The concept that older people, through their capability, experience, and resourcefulness have much to contribute to their communities and to their own well-being and should be provided with opportunities to do so can appropriately be considered a type of health promotion. Experience demonstrates that the more older persons are provided opportunities to stay involved and productive, the healthier they are. Thus productive aging programming promotes good health rather than treats illness and expands the resources of the community rather than depletes them.

RECOMMENDATIONS FOR ACTION

I recommend to the Subcommittee that in developing the FY 1988 Appropriations bill for AID, consideration be given to directing AID to place additional emphasis on programming for the aging by including the aging in AID's traditional program areas such as housing; agricultural productivity; job creation, income-generation and micro-business development; preventive health and rehabilitation; women and refugees; and participant training programs.

In addition to providing the requisite financial support, I would hope that the Committee Report would include an expansion of the FY 1987 Inouye aging initiative (which emphasized research related to the frail elderly), by directing AID to become actively involved in health promotion development efforts for the elderly that are related to productive aging and rehabilitation.

Mr. Chairman, I would be pleased to work with you and your staff to develop further the initiative you led last year. This is an important area for Committee support because it meets the challenge of the global aging imperative in a manner which addresses needs, supports the efforts of the elderly, expands existing resources within the individual families, communities and countries as a whole, and does so with a responsible eye toward U.S. financial resource limitations.

In summary, the importance of expanded development efforts in the field of aging are clear. In the United States, a wide range of efforts are being undertaken to tap into the human resources of the well elderly, particularly in channeling the energy of older people to productive activity within volunteer programs, and to some extent in programs for older workers. In LDCs, the majority of elderly have the capacity to contribute to their family or community in some way as well, and the private sector in many LDCs is working hard to encourage this productive involvement of older people in their communities. With financial and technical assistance from the United States, the view of age as a disease may someday be changed.

FUNDING FOR FRAIL ELDERLY PROGRAM

Senator HARKIN. Thank you, Dr. Kerschner, for a very fine statement. I just have one question that Senator Inouye wanted to ask.

As you know, aging has been a particular interest not only of the subcommittee, but also of Senator Inouye, so we are pleased to hear of the work that you are doing. Last year, the subcommittee asked AID to allocate up to $5 million of its fiscal year 1987 health budget for programs in the field of aging. How do you see the work that you are doing at AAIA fitting into this initiative?

Dr. KERSCHNER. I think that it is very clear, as you know, that initiative focused particularly on the frail elderly, and on health and research for the frail elderly. Our program very much emphasizes health in the sense of promoting good health for the elderly.

What we are doing is very much fitting into the AID development effort. We are really very much focused on development as an organization, development for countries, development for people. I believe that our efforts fit very much into that initiative.

SUBMITTED QUESTIONS

Senator HARKIN. Dr. Kerschner, thank you very much. There are some other questions, but in the interest of time, we will submit those to you for the record.

Dr. KERSCHNER. Thank you very much.

[The following questions were not asked at the hearing, but were submitted for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR INOUYE

SENATOR INOUYE: As you know, aging has been a particular interest of the Subcommittee, so I'm please to hear of the work you are doing. Last year, we asked A.I.D. to allocate up to $5 million of its fiscal year 1987 health budget for programs in the field of aging. How do you see the work you are doing at A.A.I.A. fitting into this initiative?

DR. KERSCHNER: The Subcommittee's action in asking A.I.D. to allocate up to five million dollars of its 1987 budget is based on its recognition of the many needs and growing numbers of the elderly in developed and less developed nations. That recognition is at the heart of the activities which are being undertaken by our organization, the American Association for International Aging (A.A.I.A.). A.A.I.A.'s primary areas of activity in international aging are public education, technical assistance and training and field project support in less developed countries. In order to accomplish these activities, A.A.I.A. works with a wide range of indigenous humanitarian and development organizations around the world, particularly in less developed countries. The kinds of humanitarian and development programs which we undertake will not only complement the Subcommittee initiative, but will also provide an integrated aging initiative in keeping with A.I.D.'s primary development objectives.

SENATOR INOUYE: How do you propose that this initiative should be continued in fiscal year 1988?

DR. KERSCHNER: I would hope that the Subcommittee would provide encouragement and direction to A.I.D. to continue an aging initiative in the coming fiscal year. I would also recommend that the Subcommittee allocate additional resources for supporting a variety of efforts which address the needs of the frail and the well elderly in less developed countries.

SENATOR INOUYE: If A.I.D. were to work with the American Association for International Aging in initiating programs for the aging, what types of program efforts would you suggest?

DR. KERSCHNER: There are a variety of ways that the needs of the world's elderly can be addressed by A.I.D., in addition to international research efforts. For example, A.A.I.A. is prepared to assist A.I.D. in carrying out this initiative by providing support and technical assistance in two particular areas of demonstrated need: the provision of practical health care support to service providers and families caring for the elderly, and the development of productive aging programs. Such programs could include income-generating efforts and volunteer efforts which enable the elderly to contribute to their own support as well as that of their families and communities as a whole. While these efforts would require the allocation of financial resources, this investment would maximize the human resources available in the community, particularly those offered by the elderly.

SENATOR INOUYE: What is the basis for your recommendation that the U.S. support program efforts for the aging in these areas?

DR. KERSCHNER: We are cognizant that there are limited financial resources which can be allocated for new A.I.D. initiatives, and our programmatic approach takes this into account. We believe that support of productive aging efforts and primary geriatric care assistance, while not meeting all the needs of the aging, are important first steps as they are cost effective, are consistent with traditional cultural values, and will produce immediate results.

SENATOR INOUYE: Why has A.A.I.A. responded to what you term the "global aging imperative" with a focus on "productive aging" rather than on traditional approaches which focus on the frail elderly?

DR. KERSCHNER: The needs of the growing world population are enormous. While it would be wonderful if we could meet all these needs, the resources to do this are simply not available. Thus, it is unrealistic to assume that the many needs of the world's aging population could be met. We at A.A.I.A. believe that a realistic first step in development efforts related to the aging is to enable the elderly to add to the resource base rather than to use up resources by creating opportunities for them to channel their wisdom, energy and experience to the community.

QUESTIONS SUBMITTED BY SENATOR LEAHY

SENATOR LEAHY: Dr. Kerschner, in your report which you prepared for A.I.D. on how it could become involved in programming for the aging, you suggested A.I.D. could integrate aging programming with its current priorities. Could you explain how you see aging programs being incorporated with A.I.D.'s ongoing activities in areas such as health, agriculture, and child development.

DR. KERSCHNER: In the future, it can be expected that A.I.D. will develop age-specific programming as well as programming which integrates the elderly into existing initiatives and activities. While age specific has merit, particularly when the aging are excluded from assistance and support, integrated programming which is consistent with A.I.D.'s current priorities should also be considered for immediate action. For example: current primary health care training programs could include training components for geriatric care and social service for the elderly; agriculture programs could be monitored for their impact on the traditional role of the elderly in rural areas; child development programs could be expanded to include a legitimized role for the elderly in child care and early childhood education; and micro-business and income-generating development efforts could be expanded to include older people so that the economic benefits can accrue to the elderly in addition to other population groups.

SENATOR LEAHY: You have suggested A.I.D. could borrow from "productive aging" programs which have proven successful in the United States, for its initial programming. Would you please provide some specific examples?

DR. KERSCHNER: There are a variety of cost-effective, practical efforts in productive aging which have been undertaken by the United States. Immediate examples which come to mind are older volunteer and older worker programs such as R.S.V.P. (Retired Senior Volunteer Program), Foster Grandparents, and Senior Companions, as well as the Senior Community Employment Program authorized by the Older Americans Act and the recent Senior Volunteer Effort which has been undertaken by the Peace Corps. A.I.D. could build on the experiences of these programs in a number of specific ways:

.the development of income-generating projects for the aging which will enable the elderly to participate in the economic life of the community through participation in organizations which are organized along the lines of successful efforts in in the United States as well as in other less developed countries;

.the implementation of projects which would undertake a process to sensitize the elderly to the valuable and meaningful contribution which they can make to their communities and to develop organizational mechanisms for enabling them to make that contribution -- the experience of the R.S.V.P. program both at home and abroad is a case in point;

.the development of a protocol which can be used by governments and private organizations for undertaking opportunities assessments to identify ways in which the elderly in less developed countries can contribute to their countries and to identify ways in which the countries can tap into the human resources of an elderly population;

.the preparation of materials on health care for the elderly which can provide support to traditional community and family-based efforts in the care of the elderly population in less developed countries and which can be used by primary health care personnel, traditional health care providers and family members; and

.the preparation of a document which defines A.I.D. policy issues associated with the provision of humanitarian and development support to an older population and examines those issues in light of implementation strategies that include productive aging.

SENATOR LEAHY: Are you recommending specific appropriations to cover the costs of these programs? If so, how much?

DR. KERSCHNER: Currently, the Agency for International Development is undertaking a broad range of program initiatives. While many A.I.D. officials, both in Washington and in the field, have expressed interest in aging, there is a reluctance to divert existing allocations toward a new area of programming for the elderly. In order for A.I.D. to undertake an initiative in aging, additional funds are needed which should be earmarked specifically for programs for the elderly. Last year the Subcommittee directed that five million dollars from the A.I.D. budget be reallocated for programs for the aging. I believe that five million dollars is a reasonable amount to begin with, but in light of A.I.D.'s current commitments, new funds are needed.

SENATOR LEAHY: Can you tell us how other countries are responding to the challenges of global aging?

DR. KERSCHNER: Numerous industrialized countries are responding to the challenges of global aging. Canada, the United Kingdom, Australia, the Netherlands and France are examples of several of the countries which provide humanitarian as well as development assistance for the aging. Several examples of the types of programs which are supported include disaster assistance, shelter for the homeless, social service support, day center construction and support, health and nutrition support, and support for a wide range of income-generating projects for the aging. The Subcommittee has the opportunity to ensure that the United States responds in a like manner.

SENATOR LEAHY: What kind of interaction does your organization have with non-governmental organizations in other countries?

DR. KERSCHNER: A.A.I.A. works with a wide range of PVOs based in the United States in its efforts to sensitize them to the needs of the elderly and programmatic efforts which might be undertaken in their behalf. In addition, AAIA is part of an international network of organizations in aging which support as well undertake programs for the elderly. This network, called HelpAge International, includes a variety of organizations located in less developed countries which are organized and staffed by members of the local community and which develop projects which are tailored to country specific needs. A.A.I.A. provides financial support for such programs as well as technical assistance to them. It is expected that in the future, A.A.I.A. will also be able to provide training support for the organizations and their projects.

Senator KASTEN. The next witness is Mr. Richard K.C. Lee, a research fellow at the East-West Center of the Population Institute.

Dr. Lee, I understand that you have come all the way from Hawaii. Is that correct?

Dr. LEE. That is correct, Mr. Chairman, not only Hawaii, but the great Pacific.

EAST-WEST CENTER, POPULATION INSTITUTE

STATEMENT OF RICHARD K.C. LEE, RESEARCH FELLOW, EAST-WEST CENTER, POPULATION INSTITUTE

CROSS-CULTURAL, CROSS-NATIONAL STUDIES ON AGING

Dr. LEE. Mr. Chairman, I am sorry that the Senator from Iowa, Senator Harkin, is gone, but I am glad to have you here as chairman. I have heard your name mentioned many times by Senator Inouye in my relations with Senator Inouye over the years. I am glad that you are chairing this session when I am appearing this morning.

Senator Harkin mentioned the allocation of the $5 million that the subcommittee has made available through AID to do cross-cultural and cross-national studies on aging, and that is what I am here about this morning.

I won't follow the text. I was trained in medicine amd public health at Tulane, my public health at Yale, and my dermatology in skin and cancer. My work experience, over the past 50 years, has been in public health. I am one of the constituents, or one of the people that Dr. Kerschner has just talked about, one of these older senior citizens.

I have retired many times. For the past 50 years, I have been in public health, in the State Health Department of Hawaii, in the university. I was the State Health Officer for the State of Hawaii for many years. I was also the Dean and Professor of Public Health for the School of Public Health at the University of Hawaii. Since 1980, when I got too old to continue to work for the State government, I became a research fellow at the East-West Center.

When you reach 70, they retire you many times, but I am still working. I am one of those people that Dr. Kerschner talked about.

My international experience, Mr. Chairman, has been over 30 years. I have been on the U.S. Delegation to the World Health Organization meetings of the western Pacific, regional committee meetings for WHO for about 20 years, and I have attended many World Health Assembly meetings during those years that I was active in public health. I also served as a WHO consultant in many countries of Asia. I will not name all of those countries, but at least a dozen countries in Asia. I have attended at least half a dozen World Health Assembly meetings.

POPULATION CHANGE

I have been very active in public health, in research, and in international health. My main interest now, since 1980, has been in population change. Senator Harkin mentioned the changing complexion of our population in the U.S. and in the world today. Dr. Kerschner mentioned about global aging. I will not repeat the statistics that she mentioned about the numbers of aged that are happening all over the world, not only the numbers of aged all over the world, but the aging of individuals, the aging of societies.

I am particularly interested in that area of cross-cultural, cross-national studies on aging, and I began to do this kind of activity as I was practicing public health in our State since 1960. We got involved with cross-cultural, cross-national studies of the Japanese, the Japanese in Japan, the Japanese in Hawaii, and the Japanese in California, on cancer. Why was stomach cancer more common in the Japanese in Japan and Hawaii than in California.

That program expanded into now an inter-mural program by the National Cancer Institute. They have a staff that continues studies on cancer, collaborating with the Japanese in Japan and elsewhere. Also the Heart Disease Institute, and most recently the National Institute on Aging is studying osteoporosis in our local population group, and is collaborating with the Japanese on osteoporosis, a serious public health problem of the aged.

Mr. Chairman, Hawaii's researchers continue to study international health issues in Asia, and they continue to do this, as well as those effecting new migrants that are coming to Hawaii. As you know, new migrants are coming in in increasing numbers in recent years to the United States from Asia, and many are staying in Hawaii. We continue to study these newer populations. Included in the new migrants are those from the island nations in the Pacific.

AGING SEMINAR IN ASIA AND THE PACIFIC

In late August of this year, the East-West Center, with the University of Singapore, the World Health Organization, and the National Institute on Aging, is coordinating a seminar on aging in Asia and the Pacific.

As one who has been very active in international health over these many years, I have been keenly aware of AID's contribution to the field of public health over these many years and their close working relationship with the Public Health Service.

As aging becomes more important in the world today, and among all nations, both developed and under-developed, it is hoped that useful projects will result from all of these cooperative efforts. We hope that through this mandate, or this language that the Senate Subcommittee on Appropriations has called upon AID to work with the Public Health Service, that some useful projects will take place. We, in Hawaii, want to become involved, be useful, be active in this international exchange because we have many ties with countries of Asia and the Pacific region.

I said that I have been very active in the cross-national studies on aging, and for the past 5 years, we have four U.S.-Japan conferences on aging, two in Japan and two in Hawaii, involving Hawaii's researchers, Japanese researchers, and U.S. mainland researchers. We have included people from the Administration on Aging of our Federal Government, and those from the National Institutes of Health.

Over the years, the East-West Center, I am sure you are familiar with that, has worked closely, with contracts, grants and agreements, with AID on areas of demography, family studies, economic development, human resources, migration, training, population studies, employment, Social Security, health services, and causes and consequences of population change.

The center, over these 29 years, has been furthering our Nation's objectives in such areas as cultural learning and communication, resource systems, environment and policy, and Pacific Island development activities.

Senator KASTEN. Dr. Lee, I am going to have to ask you to conclude your statement now because your time has expired. Would you summarize briefly the remainder of your statement?

Dr. LEE. Fine. The main thrust of my coming here is to urge the subcommittee, as Dr. Kerschner says, to urge AID and the National

Institutes of Health to continue to do collaborative studies, cross-cultural and cross-national studies, using the funds that the subcommittee has allocated. Anything that you can do, that the subcommittee can do, to give movement to this program and the continuity of this program in the coming years will be very important.

That, Mr. Chairman, is the main thrust of my being here. Hawaii, through the East-West Center, can be useful in helping AID and the National Institutes of Health to implement the congressional initiative on cross-cultural and cross-national studies on aging.

Thank you, Mr. Chairman.

[The prepared statement of Dr. Lee follows:]

PREPARED STATEMENT OF DR. RICHARD K. C. LEE

RESEARCH FELLOW

EAST-WEST POPULATION INSTITUTE

Mr. Chairman:

It was in September 1986, following deliberations of HR 5233, the Fiscal Year 1987 Appropriations Bill for the Departments of Labor, Health, and Human Services and Education, that at Senator Daniel Inouye's request, several provisions were included: (1) urging the Department of Health and Human Services to give greater priority to international health care issues, (2) on the deliberations of the National Institute on Aging, strongly urging the National Institute on Aging to pursue appropriate cross-cultural and cross-national studies on aging, and (3) on the account of the Assistant Secretary of Health, urging the Public Health Service to work collaboratively with the Agency for International Development in the area of international health.

It is on this subject that I am testifying today. My name is Dr. Richard K.C. Lee, and I am a Research Fellow at the East-West Population Institute of the East-West Center in Honolulu. I was born in Honolulu, was educated there, and went on to graduate in medicine at Tulane University of Louisana. I received a doctorate in Public Health at Yale and a Certificate in Dermatology at New York University, Skin and Cancer Clinic.

Most of my career of over 50 years has been in public health, at the Hawaii Health Department (where I was Director of Health), the University of Hawaii (where I am currently Emeritus Dean and Professor of Public Health), and the East-West Center. My international experience began in 1952 on U.S. delegations for the annual meetings of the Regional Committee of the Western Pacific of the World Health Organization and the World Health Assembly. I also served as a WHO consultant for many of the countries of East Asia and South East Asia in training and research subject areas.

At the East-West Center since 1980, my main interest is in population change, policy, and the aging of individuals, societies, and nations. I have been involved with cross-cultural and cross-national studies on aging, and in the 1960's was involved with Japan and U.S. studies of cancer in the Japanese populations in Japan, Hawaii, and in California. That program, in Hawaii, was later expanded into an intramural program of the National Institute of Health for Cancer and Heart Diseases, and today it includes extramural studies of osteoporosis.

Hawaii researchers continue to study international health issues in Asia as well as those affecting the newer migrants to Hawaii, particularly from Asia, who have entered the U.S. in increasing numbers. Included among new migrants are those from the newly established island nations in the Pacific. In late August 1987, the East-West Center, the University of Singapore, the World Health Organization, and the National Institute on Aging will be coordinating a seminar on aging in Asia and the Pacific. As one who has been active in international health issues on behalf of U.S. and international health agencies, I am keenly aware of the Agency for International Development's contributions to the field of international health. The U.S. Public Health Service and the Agency for International Development have worked closely together in public health. As aging becomes a more important aspect of population change for all nations, both developed and underdeveloped, it is hoped that useful projects will result from all this cooperative effort. Hawaii, from its past and present activities in international health, can be, and wants to be, involved because of its many ties with the countries of the Asia and Pacific Region.

For over five years, through four U.S.-Japan conferences on aging and the coming conference in Singapore in August, the East-West

Center, particularly through its Population Institute, has worked closely with the federal agencies, including the Administration on Aging and the National Institutes of Health. It has worked closely through grants, contracts, and agreements with the Agency for International Development in the areas of demography, family studies, economic development and human resources, migration, training, population studies, employment, social security, health services, and causes and consequences of population change. The Center is also furthering our nation's objectives in such areas as culture learning and communication, resource systems, environment and policy, and Pacific Island Development.

During its 25-year history, the Center has worked with over 35,000 participants from the U.S., Asia, and the Pacific in promoting cross-cultural and cross-national exchanges. Some 250 staff members of the Center promote training and research that have important practical applications, which further our nation's objectives. The Center collaborates closely with Hawaii's academic, service, and research institutions, in both the public and private sectors. It has ties and relationships with many public and private research and training institutions on the U.S. mainland and with international agencies.

Mr. Chairman, speaking on behalf of the East-West Center, we stand ready to accommodate ourselves to whatever arrangement the Agency for International Development and the U.S. Public Health Service have agreed upon to implement the Congressional initiative relating to health care issues. We could expand, initiate, and continue projects given priority by these agencies and begin immediately to utilize resources that will become available for manpower and programs. When the Congress convenes in 1988, we hope that favorable progress can be reported to the Senate Appropriations Committee.

Before closing my testimony, I would like take this opportunity to congratulate Senator Daniel K. Inouye for taking the initiative in supporting the need for greater priority for cross-cultural and cross-national studies on aging and urging the National Institute of Aging to pursue such steps, and I would like to submit, for the record, letters of April 13 and 14 from Dr. Lee-Jay Cho, Director of East-West Population Institute, and Vice-President of East-West Center, to Senator Inouye as a member of the Senate Appropriations Committee, and to Dr. Franklin Williams, Director of the National Institute on Aging, expressing Dr. Cho's organization's willingness to assist in carrying out U.S. Congressional initiative and support of cross-national and cross-cultural studies among the elderly.

East-West Center

Population Institute

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April 13, 1987

Senator Daniel K. Inouye
United States Senate
Room 722, Hart Senate Building
Washington, D.C. 20510

Dear Senator Inouye:

In your letter of March 18, 1987 to Dr. Richard K.C. Lee, you suggested that we inform the National Institute on Aging what role the East-West Center would be willing to play in the program of cross-cultural and cross-national studies in aging research that you have initiated. I am happy to do so and want to let you know that the East-West Population Institute is eager to be an active participant in the work on aging.

Staff members of the East-West Population Institute have been in communication with members of the National Institute of Aging and the Office of Health, AID/Washington, to express our desire to be involved with the international aging initiative. The East-West Population Institute would be willing to be a principal contracting agency to manage directly funds for carrying out these studies of aging in Asia. As you know, we have extensive experience in contract relations with numerous government and non-government agencies and also have extensive experience working on aging in Asia, including sponsoring a four-year series of U.S.-Japan conferences and research on aging in which we have involved various local and federal organizations. This August we will sponsor a seminar on research on aging in Asia and the Pacific that will take place in Singapore. Thus, should we be selected to play a major role in the NIA's international program, we have excellent working relations with local, national, and international institutions with which we could subcontract to implement the full work agenda of the program. Should we not be selected as a principal investigator, we would certainly be willing to work jointly with other institutions to facilitate this important work. In any case, we believe that the Center with its experience in the international arena and on the aging topic would be ideally suited to play a major role in this endeavor.

Dr. Linda Martin, Research Associate, East-West Population Institute, who is coordinating our August seminar in Singapore, will be visiting Washington on May 4th and 5th. She plans to visit with representatives of the National Institute of Aging and the Office of Health, AID/Washington. We would very much appreciate it if she could also have the opportunity to meet briefly with Dr. Pat De Leon of your office on May 5th. She will call him in late April to set up an appointment at his convenience.

In the meantime, we will write directly to Dr. Franklin Williams, Director of the NIA, to communicate our willingness to fully participate in whatever manner would be most useful in implementing your recommended iniative in international aging.

In closing, I would like to thank you for your continuing interest in East-West Center programs.

With best regards,

Sincerely,

Lee-Jay Cho, Director
East-West Population Institute,
and Vice-President, East-West Center

East-West Center

Population Institute

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April 14, 1987

Dr. T. Franklin Williams
Director
National Institute on Aging
National Institutes of Health
Bethesda, MD 20892

Dear Dr. Williams:

In December 1986, I wrote to you to express the general interest of the East-West Center in taking part in NIA's endeavors in the field of international and cross-cultural aging. In a recent letter to Dr. Richard Lee of our institute, Senator Daniel K. Inouye suggested that we inform you more specifically about what role the East-West Population Institute would be willing to play in the new AID/NIA initiative.

If called upon, the East-West Population Institute would be most willing to be a principal contracting agency to manage directly funds for carrying out studies of aging in Asia. We have experience in contract relations with numerous private organizations and federal agencies, including the National Institutes of Health and the Agency for International Development. We have extensive experience working on aging in Asia, including sponsoring a four-year series of U.S.-Japan conferences and in conducting research on aging in Asia in which we have involved various Asian and U.S. organizations. This August we will sponsor a seminar on research on aging in Asia and the Pacific that will take place in Singapore. Thus, should we be selected to play a major role in the AID/NIA program, we have excellent working relations with local, national, and international institutions with which we could subcontract to implement the full work agenda of the program. Should we not be selected as a principal investigator, we would certainly be willing to work jointly with other institutions to facilitate this important work. In any case, we believe that the Center, with its experience in the international arena and on the aging topic, would be ideally suited to play a major role in this endeavor.

Two members of my staff, Dr. Lee and Dr. Linda Martin, who is coordinating the August seminar in Singapore, have been in recent contact with Dr. J. David Curb, Associate Director, NIA, with regard to our past and planned activities. We have suggested to him that it might be most useful if NIA could send a representative to the Singapore meeting. We have also been in communication with Dr. Ann Van Dusen, Deputy Director, Office of Health, AID.

Please let us know if you would like additional information about our program on international aging or if you have suggestions for how we can be of assistance in the AID/NIA initiative in this area.

Sincerely,

Lee-Jay Cho, Director
East-West Population Institute
and, Vice-President, East-West Center

Senator KASTEN. Dr. Lee, thank you for your testimony. The subcommittee is grateful to have the opportunity to benefit from your knowledge and experience.

I just want to make a special note that Senator Inouye regrets that he is not here to receive your testimony in person. As you know, he has some other very important duties assigned to him by the Senate leadership which prevent him from being here. I know that he would have wanted to be here to receive your testimony.

We are pleased to learn that the East-West Center at the University of Hawaii is prepared to join AID to continue to work with us. The subcommittee intends to move forward with these initiatives which you have described, so we look forward to working with you.

Thank you for your testimony.

Dr. LEE. Thank you very much.

Senator KASTEN. Our next witness is Mr. David J. Sadd, Executive Director of the National Association of Arab Americans.

NATIONAL ASSOCIATION OF ARAB AMERICANS

STATEMENT OF DAVID J. SADD, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF ARAB AMERICANS

AID REQUESTS FOR ARAB COUNTRIES

Mr. SADD. Thank you, Mr. Chairman.

We consider it a privilege to be able to appear before this committee.

As Arab Americans, we are concerned that our foreign aid dollars be spent in such a way as to promote American interests in the region. We are aware of the fact that foreign aid levels are subject to cuts under Gramm-Rudman, but we believe that all recipient countries should be expected to bear their fair share of the burdens associated with these reductions.

It is our intention in our testimony to offer support for the President's fiscal year 1988 foreign aid requests for the Arab countries. We have made comments on 13 countries in our written testimony, and I am unable, obviously, to go through all of them, but I would like to highlight some of our concerns.

In some cases, such as Morocco, Tunis, the occupied territories of the West Bank and Gaza, we believe that administration requests are the absolute minimum amount necessary to further U.S. interests. In the case of Lebanon, we believe the $775,000 is woefully inadequate. I would like to point out that consolidated debt repayment figures for Lebanon given in the State Department's congressional presentation for security assistance programs are all zeros, and that is inaccurate.

In fiscal year 1988, Lebanon has to repay $34 million, approximately, of FMS borrowings. An appropriate way to give some relief to the government of Lebanon, particularly in light of the framework of our providing relief for billions of FMS debt to neighboring countries, would be to provide the same kind of structure for Lebanon, where we provide economic support fund payments in an amount at least equal to the debt service for the coming year. We would propose that for Lebanon.

I would point out to you that Lebanon's foreign currency reserves are now in the $200 million neighborhood, and there is roughly a $38 million payment due this month on fiscal year 1987's FMS loans.

ECONOMIC AND HUMANITARIAN FUNDING FOR LEBANON

Further, we would argue that the United States should increase the economic and humanitarian funds for Lebanon from $775,000 to $10 million. Mr. Chairman, the limited aid allocated to Lebanon and other Arab countries demonstrates the principal problem of our foreign aid program, maldistribution. We believe that additional funds for Lebanon can and should be obtained through a more equitable distribution of the foreign aid pie.

MALDISTRIBUTION OF AID

Editorials from the Washington Post and the L.A. Times, discuss the foreign policy implications of our aid maldistribution. The Washington Post article, entitled "Foreign Aid: Maldistribution," points out that 40 percent of the Administration's proposed aid, $13.6 billion, goes to two countries. The L.A. Times article points out that for the past 11 years, 25 percent of all the aid has gone to one country, Israel.

I have done a little pencil pushing and note that of our two principal bilateral foreign assistance programs, economic support funds and foreign military sales, 30 percent went to Israel in 1986 and, after the Gramm-Rudman cuts, 39 percent went in fiscal year 1987. In fact, the proportion that went to the Camp David signatories, of our total ESF and FMS monies, moved from one-half to roughly two-thirds between fiscal years 1986 and 1987 because of the Gramm-Rudman cuts.

Our second major point is, even though we increased the share of our total FMS and ESF monies going to Israel and the Camp David signatories, our position in the region has not improved. Events of the past year testify to this. The U.S. continues to send distressing signals to the region by such misappropriation. We continue to finance the Lavi fighter, $1.3 billion so far, despite serious Pentagon, as well as Israeli doubts on the program's viability.

Despite Iranian sponsorship of American hostage taking, the U.S. and Israel have been selling arms to Iran, to help prolong this war and reinforce the impression in the Arab world that Israel dominates America's Middle-East policy.

We submit, Mr. Chairman, that foreign aid maldistribution has not served our national interest, nor does it serve the interests of our friends. Despite our generosity, Israel has not obtained peace nor genuine long-term security. There is no progress in providing for Palestinian national aspirations. In Lebanon, there is no peace, only anarchy. There is no American influence now in Syria or Iran. We have weakened our position in the Gulf, and in Khomeini's eyes, Americanism is on the rise.

Nowhere is the negative result more apparent than in the Gulf. While many in Congress have voiced criticism of the reflagging, Congress must also share some of the blame for its refusal to meet the legitimate security requirements of our Arab friends.

Arm sales to Saudi Arabia and Kuwait, designed to protect against Iran, were considered to be dead on arrival when they reached the Congress, leaving our friends in the Gulf vulnerable and uncertain as to our intentions.

While the short-term answer is visible American commitment in the Gulf, the long-term solution must include providing the members of the Gulf Cooperation Council with the ability to protect themselves and a more equitable distribution of our security assistance.

Events of the last year have shown that you cannot continue to provide virtually unlimited money to Israel or anyone else at the expense of other nations. Such an unbalanced policy damages the interests of the United States and strains our relationships with the other countries of the region.

We should seek normalcy, not special relationships, in the way we deal with foreign countries. Quoting the Washington Post editorial, "Foreign Aid: Maldistribution," it reads:

"There is something fundamentally wrong with a system in which aid is spread this way. Each program has its imperatives; an argument can be made for each, standing alone; but a combination is unsupportable, and that is what the world perceives."

In the and, it is inescapable that we need principled, balanced, cleareyed leadership from this committee and the Congress as a whole to successfully pursue American interests in the Middle-East. We think American interests should have a policy which provides an Israeli and Palestinian state, a peace between Israel and its Arab neighbors, and all of these countries partners of the United States in commerce and international security.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Sadd follows:]

NAAA
National Association of Arab Americans

WRITTEN TESTIMONY OF DAVID J. SADD,
EXECUTIVE DIRECTOR OF THE NATIONAL ASSOCIATION OF ARAB AMERICANS,

The National Association of Arab Americans (NAAA) welcomes this opportunity to present testimony on the Middle East portion of the Administration's Fiscal Year 1988 foreign aid request. As the principal political organization representing the three million Americans of Arab descent -- as well as a large and growing number of other Americans who share our viewpoint -- NAAA wants not only to promote good relations between the United States and the Arab countries of the Middle East, but also to see that U.S. tax dollars are spent in the most effective way for the protection and promotion of U.S. national interests in that region.

In these times of fiscal austerity, the American people continue to be concerned with controlling the enormous budget deficit and promoting fiscal responsibility. We, as Arab Americans, share these concerns. In presenting this testimony, we are aware of the fact that the foreign aid bill is subject to cuts under the requirements of the Gramm-Rudman-Hollings deficit reduction act. We believe that all recipient countries should be expected to bear their fair share of the burdens associated with these reductions. We further believe that it is neither wise nor justifiable to earmark enormous amounts of aid for a few countries and then require the remaining nations of the world to divide up a drastically reduced foreign aid total.

It is our intention in this testimony to offer our support, in general, for the president's Fiscal Year 1988 foreign aid requests for the Arab countries. In some cases, such as Morocco, Tunisia, and the occupied territories of the West Bank and Gaza, we believe that these requests represent the absolute minimum amount necessary to further U.S. interests in the region. In the case of Lebanon, it is our contention that $775 thousand is woefully inadequate to do so. We urge Congress to remember in its consideration of the foreign aid bill that the Administration, too, has taken the mood of the American people into consideration in preparing its foreign aid proposals. It has, therefore, already pared its requests for the Arab countries to the bone. We believe that additional cuts would not be in the interests of the United States.

I. IMPORTANCE OF THE ARAB WORLD

The Arab world spans two continents, stretching from Mauritania and Morocco on the west coast of Africa to Oman on the southeast corner of Asia's Arabian peninsula and Iraq north of the Gulf. The 21 Arab countries cover nearly 5.4 million square miles, an area that is one and a half times the size of the United States. Over 187 million people live in those countries, and the number is likely to grow substantially in the years to come as the result of high population growth rates.

Some of the world's most strategic areas are contained in the Arab world. Morocco forms the southern part of the important Strait of Gibraltar, which guards the western entrance to the Mediterranean Sea. Egypt's Suez Canal allows Indian Ocean shipping to enter the Mediterranean without having to circle the southern tip of Africa. Some of the world's richest oil reserves are found under Arab soil.

This is particularly significant in view of the fact that other oil producers like Mexico, Canada, and the United Kingdom are rapidly depleting their own reserves.

The United States has friendly political relations with most of the 21 countries of the Arab world. Some of these countries have granted the United States access to their military facilities under certain circumstances and have supported the U.S. position on many issues of mutual concern.

On an economic level, the Arab world has proven to be invaluable to our country. At a time when U.S. trade deficits with the world as a whole keep breaking record levels, the United States has had a trade surplus with the Arab world countries for each of the last four years. On the basis of the Commerce Department's formula that each $1 billion worth of U.S. exports creates or sustains 25,000 American jobs, the Arab world since 1980 have provided more than 2 million jobs for Americans, and billions of dollars worth of earnings.

II. GRAMM-RUDMAN-HOLLINGS AND FOREIGN AID

At a time when one of the overriding concerns of legislators and the public alike is to reduce the enormous budget deficit, the foreign aid bill takes on an even greater importance and urgency. If the United States is to continue to meet its responsibilities and promote its national interests in the region, it is essential that adequate levels of aid be extended to all of our friends in the Middle East. The Reagan Administration's aid proposals for the Arab world represent in most cases a minimum amount necessary to further American interests in the region -- and in some cases already appear to be inadequate to do so.

We are concerned that the Gramm-Rudman-Hollings deficit reduction act will be used to secure unwise reductions in already small aid levels for certain Arab countries, while Israel, with enormous yearly grants of military and economic aid, will escape most cuts altogether. Last year we warned that many small aid-receiving countries would suffer a disproportionate aid reduction under the provisions of Gramm-Rudman-Hollings if Israel and Egypt, the two largest recipients of aid, were exempted from the reductions required under the act. Despite protestations in some committees that all countries would be required to share proportionately in any prospective cuts, countries which did not have their aid specifically earmarked were forced to accept even more serious reductions from a greatly-reduced foreign aid appropriation.

We believe that, despite the importance of dealing with the budget deficit, aid levels to the Arab countries below the Administration requests will be inadequate to meet the needs of the recipient countries and therefore would not be in the interests of the United States. But if such reductions must take place, all countries should be asked to bear their fair share. We believe that Israel, Egypt and the base rights countries must not be exempted from any cuts under the provisions of Gramm-Rudman-Hollings.

III. RECOMMENDATIONS

Our specific recommendations for the Administration's Fiscal Year 1988 foreign aid requests are given below. In addition and for the record, NAAA supports the Administration's aid requests for Djibouti, Mauritania, Somalia, and Yemen.

Aid to Egypt

The $2.299 billion request in military and economic assistance, including P.L. 480 assistance, for Egypt is slightly less than the level proposed by the Reagan Administration for Fiscal Year 1987. We support the President's request and recommend its approval by Congress.

The case for aid to Egypt on this scale is very strong: Egypt genuinely needs the aid that the Administration has requested. Its 50.5 million people, unfortunately, have one of the lowest standards of living in the Arab world, with a per capita GNP of only $720. This is less than one-seventh of the per capita GNP of Israel -- a country whose population is one-twelfth its size -- which will receive substantially more aid. Despite the glaring difference in the level of economic development between Egypt and Israel, however, the President's request amounts to a spending of less than $46 for every citizen of Egypt compared to an expenditure of $723 for every citizen in Israel.

The aid requested for Egypt is also vital because of economic difficulties that Egypt is facing that are largely beyond its control. The declining worldwide price of oil in recent years caused both a decline in Egypt's own oil revenues and a sharp drop in Egyptian workers' remittances from OPEC countries.

Egypt has long been an important friend of the United States and has worked consistently to promote the Middle East peace process. Egypt has granted the U.S. landing privileges at its naval and air facilities under certain circumstances. It provided support for U.S. transshipment of ammunition to Lebanon when the American marines were there, and it has cooperated with the United States in taking action to deal with threats to Sudan, its southern neighbor, in the past.

The West Bank and Gaza

Last year, NAAA supported the Administration's Fiscal Year 1987 request of $18 million for activities to promote the living and employment conditions of Palestinians residing in the occupied West Bank and Gaza. We were disappointed that after the effects of Gramm-Rudman-Hollings and other foreign aid cuts, those funds were reduced to only $8 million.

This year the Administration is requesting $12 million for the West Bank and Gaza. It has announced in addition that $7 million in ESF funds for Jordan will be used by Jordan for programs in the West Bank and Gaza. We fully support these requests, and believe they represent the minimum amount necessary for the program to be effective.

The small aid program funding economic and social development in the West Bank and Gaza has perhaps the highest impact of any American aid program anywhere in the world. It provides economic assistance directly through such private voluntary organizations (PVOs) as American Near East Refugee Aid (ANERA), the American-Mideast Educational and Training Services (AMIDEAST), Catholic Relief Services (CRS), and Save the Children Foundation (SCF).

We applaud the Administration's interest in finding ways to stimulate private sector activity in the West Bank and Gaza and its emphasis on supporting institutions which can serve to channel funds to private borrowers for productive uses in agriculture and industry. The Administration's increasing focus on aid to the occupied territories will help to provide the essential tools for economic development of the local population. We can only hope that Congress, too, will see the importance of this aid, and not continue to sacrifice it to political and budgetary considerations.

Unfortunately, Israeli interference in this small program has until recently been widespread, thereby reducing its effectiveness. According to a report three years ago by Meron Benvenisti, the former deputy mayor of Jerusalem, between 1977 and 1984 only 23.1 percent of the industrial expenditures and 35.6 percent of the agricultural expenditures endorsed by AID had been approved by Israel. U.S.-funded projects that did not give the Palestinians themselves a stake -- such as public works projects that Israel would otherwise have had to pay for itself -- were given ready approval by the Israeli authorities. Thus, Israel was diverting U.S. aid from its intended objectives.

This is just one aspect of a 20-year-old Israeli policy of stifling Palestinian economic initiatives. Palestinians are denied permission to dig new irrigation wells, discouraged in their attempts to form cooperatives, limited in their planting of trees and vegetables, constrained from selling their produce in Israel, turned down -- or made to wait indefinitely -- when applying for licenses to start up a business project or construct a building, and deprived of adequate credit and money market facilities. PVOs have enumerated cases in which the Israeli government delayed or denied clearance to proceed with individual subprojects, particularly those of a development nature.

While several PVOs have reported receiving greater cooperation from Israeli authorities during the present coalition government than they did under the previous Likud government, it is important that the U.S. Government remain vigilant to ensure that that cooperation continues. We urge Congress and the Administration to press Israel not to obstruct PVO-administered projects on the West Bank and Gaza.

Aid to Jordan

Perhaps no other country in the Middle East has done as much as Jordan in recent years to promote the search for peace in the region. For over a year, King Hussein made a strong personal effort, despite pressures from hardliners, to revive the stalled Middle East peace process. While the Jordanian initiative remains on hold -- for the present at least -- Jordan's ability to continue as a central actor in the peace process depends largely upon the willingness of the United States to help it in meeting its legitimate and very pressing economic and military needs.

Jordan is an important friend of the United States, both politically and strategically. Few would deny that it is an essential key to Middle East peace. Unfortunately, the United States has not given Jordan the kind of moral and material support in recent years that it needs and deserves. The indefinite postponement last February of a sale of advanced fighter aircraft to Jordan, for example -- a sale that the Reagan Administration had determined was in the U.S. national interest -- was a severe blow for U.S. credibility and a setback for Jordan's security needs.

We believe that the aid level the Administration has proposed for Jordan for Fiscal Year 1988 is woefully inadequate. While the Administration's ESF request for Fiscal Year 1988 has remained at the $18 million level requested last year, the proposed 1988 level of security assistance under the FMS program, MAP and IMET would be reduced from $117 million to $53.8 million.

We are particularly concerned that the Administration's aid levels for Jordan not be cut substantially by Congress to meet the budget requirements of Gramm-Rudman-Hollings. Our interests in Jordan are too important to impose on it a disproportionate share of the burden of necessary budget cuts. We believe that the level of aid this year for Jordan is already too low. We are gratified, however, that the President has requested this year that all ESF funds for Jordan be in the form of grants.

Jordan, with a population of almost 2.66 million, has a per capita income of $1,570, less than one-third that of Israel. Yet the Administration's aid request for Jordan is only $71.8 million -- compared with $3 billion for an Israel with a much higher standard of living. In addition, the $12 million in FMS credits for Jordan, though extended at concessionary rates, will have to be repaid. We urge that, to help compensate for the relatively low levels of aid to Jordan, FMS loans be extended with repayment forgiven, as is the case with both Israel and Egypt.

Aid to Lebanon

While we recognize the difficulties associated with extending aid to Lebanon under present conditions there, we feel that the $775,000 total of economic and military assistance to Lebanon that the Administration has requested is wholly inadequate to meet its needs. Indeed, such sums will do virtually nothing to help promote stability in Lebanon, nor will they contribute to the achievement of a unified, sovereign Lebanon, free from external forces and able to secure its territorial borders.

Tragically, continued bloodshed in Lebanon has made U.S.-sponsored relief efforts even more important. U.S. private voluntary organizations, such as Save the Children, Catholic Relief Services, the YMCA in Lebanon, and UNICEF, have made significant progress in providing assistance to the victims of Lebanon's conflict. If funds for Lebanon are not increased, many programs administered by these PVOs will come to a halt. We urge this Subcommittee to extend funding for Lebanon that will be adequate to enable these organizations to continue effectively their important work beyond the current Fiscal Year. The meager sum of $300,000 in ESF funds requested by the Administration for Fiscal Year 1988 is simply not sufficient.

It is vitally important, Mr. Chairman, that the United States do all it can to contribute to the strengthening of the Government of Lebanon. One way of doing so is to extend as much military and economic aid as possible through the central government. We urge Congress to provide not less than $10 million to Lebanon in Fiscal Year 1988. This contribution would underscore the confidence of the U.S. Government in Lebanon and the Lebanese people. It also serves to demonstrate the strength of the Lebanese Government itself.

We are very concerned also, Mr. Chairman, about the burdens that Lebanon is facing in paying back debts on past U.S. aid. As of December 1986, principal outstanding on such debts by Lebanon was $103 million. Annual interest alone on the debt has already reached more than $4 1/2 million, and Lebanon is expected to repay $37 million in principal and interest in 1987.

This is an intolerable burden on a country which has undergone such devastation in recent years. And this burden is compounded because the value of the Lebanese pound has drastically fallen with respect to the dollar. To give Lebanon $775,000 in economic and military aid and yet expect it to repay $37 million in principal and interest represents very poor policy indeed. We urge Congress to take steps to relieve Lebanon of its enormous debt burden.

Aid to Morocco

The ties between the United States and the Arab world are exemplified by our ties with Morocco. This year the United States will celebrate the 200th anniversary of its treaty with Morocco -- the longest treaty with the United States in existence.

NAAA supports the Administration's Fiscal Year 1988 request of $133 million for Morocco. We note, however, that the request represents a slightly lower figure than the levels requested by the President in Fiscal Year 1987. We also support the $20 million Fiscal Year 1987 supplemental budget request.

The Moroccan economy has suffered under severe strains in recent years. It has an external debt burden which now exceeds its annual gross domestic product, and it has had to struggle with the problems of severe and prolonged drought and low demand for its principal export, phosphates. With a population of almost 24 million, a population growth rate of 2.7 percent and a per capita GNP of only $670, Morocco can effectively utilize the $35 million in ESF and Developmental Assistance and $44.6 million in P.L. 480 assistance that the Reagan Administration has proposed. At the same time, it has shown itself able to to implement a program of fiscal austerity and economic adjustment under the guidance of the World Bank and the International Monetary Fund.

Despite Morocco's pressing economic problems, more than $12 million out of the $20 million in ESF assistance requested by the Reagan Administration is to be given in the form of loans, rather than grants. We urge that all ESF for Morocco be given as grants.

Located on both the Atlantic Ocean and the southern half of the strategic Strait of Gibralter, Morocco has been an important friend to the United States for many years. It has agreed to allow U.S. forces access and transit rights to its military bases in certain cases and provides training areas for U.S. forces stationed in Europe. It also provides much-needed facilities for the Voice of America.

Aid to Tunisia

The Administration's FY 1988 request of $68 million for Tunisia is considerably lower than last year's request. We believe that the $25 million in ESF and PL 480 aid included in the Administration's request is inadequate to meet Tunisia's very pressing economic needs. Nevertheless, mindful of the constraints of Gramm-Rudman-Hollings, we recommend approval of the entire request.

Tunisia has been a friend of the United States since it gained independence in 1956, often using its influence in international bodies to moderate the views of others. During the hostage crisis in Iran, for example, Tunisia cast the deciding vote in the U.N. Security Council for sanctions against Iran. In the Arab League, Tunisia has been a consistent force of moderation. On military matters, Tunisia has been receptive to U.S. initiatives. The Sixth Fleet enjoys regular access to Tunisian ports. The United States and Tunisia have established a joint military commission, and Tunisian officials have shown a desire for heightened military cooperation.

Tunisia's economy has been hurt by a severe drought, and by the fact that it has become a net importer of oil. The expulsion of more than 20,000 Tunisian workers and their families from Libya in 1985, which was due in part to the fall of Libyan oil revenues, put severe strains on the Tunisian economy and made it more difficult for the government to deal with trade and budget deficits and a growing foreign external debt and debt service ratio. In light of these conditions, it is clear that Tunisia requires increased economic aid levels.

Aid to Sudan

We support the Administration's request for over $89.7 million in economic and military aid to Sudan. Geographically the largest state on the African continent, Sudan is of great importance to the United States. It lies on the Red Sea opposite Saudi Arabia and borders on Egypt, Libya, Chad, and Ethiopia, among other states. Sudan's foreign policy in the past decade has been generally sympathetic to U.S. goals. It has lent support for U.S. peace initiatives in the Middle East and for efforts to expand American military access and capabilities in the region.

With a per capita GNP of only $360 and an average life expectancy of just 51 years, Sudan is one of the least developed countries in the Arab world. Even though it has experienced severe drought in recent years, which has cost it much-needed export earnings, Sudan has taken in more than 1.5 million refugees fleeing drought, famine, and war in neighboring countries. Added to its economic troubles has been continuing unrest in the south of the country.

We support the Administration's request for $36 million in ESF and Developmental Assistance aid for Sudan, although we note with sadness that this figure is considerably less than half the request of the previous year. The funds will provide some help to the Sudanese Government to recommence work on important agricultural and oil exploration projects and help Sudan cope with the refugees it is hosting.

Aid to Oman

NAAA supports the Administration's request for $20 million in ESF aid, $5.1 million in FMS financing, and $150,000 in IMET aid for Oman, although we note with some concern that much of this request is in the form of loans. We also support the $5 million Fiscal Year 1987 supplemental budget request.

Oman's strategic location and its willingness to cooperate with the United States make it a vital friend that is deserving of our assistance. Gulf oil that is exported by sea through the Strait of Hormuz goes through shipping channels that are inside Omani territorial waters. Oman is modernizing its military to defend against possible threats from Iran and to contribute to regional defense as a member of the Gulf Cooperation Council. It has also granted the United States limited peacetime and extensive emergency access to its military facilities, enabling the U.S. to meet threats to its vital interests and those of its Arab friends in the Gulf region.

Aid to Israel

We believe that the $3 billion in economic and military assistance proposed for Israel -- more than $726 for each of its 4.1 million people -- is unjustifiably high. While we realize that enormous aid levels for Israel have become the norm in recent years, allocating such amounts to a country whose per capita GNP is $5,060 and whose people live quite affluently by world standards, is not in the best interests of the United States. The contrast between our generosity for Israel and our treatment of its Arab neighbors is particularly apparent in the meager sums of U.S. aid requested for both Lebanon and the Israeli occupied West Bank and Gaza -- which need aid desperately.

The aid request for Israel, which is at the same level as the request for Fiscal Year 1987, comes at a time when Americans continue to suffer through budget cutting under the Gramm-Rudman-Hollings deficit reduction act. Many Americans are resentful of the fact that we are being asked to make sacrifices at home while the U.S. Government is not insisting that Israel should make equal sacrifices.

We would like to register our opposition in particular to continued funding for Israel's Lavi fighter aircraft, an aircraft which will compete for sales worldwide with sophisticated American-built aircraft, such as the F-20. So far, U.S. aid has financed over 90 percent, or $1.3 billion, of the Lavi program -- and the Senate Foreign Relations Committee and the House Foreign Affairs Committee have already agreed to continue funding for the controversial fighter in Fiscal Year 1988, despite widespread opposition to the plane in both the U.S. and the Israeli military.

We believe that the American taxpayer should not be required to pay for a weapon that will ultimately compete with American aircraft, and we strongly urge Congress to hold hearings on the viability of the Lavi project. We must not continue to pump American taxpayers' dollars into the Lavi.

In addition, we strongly believe that all U.S. aid given to foreign countries should be spent in the United States. This Buy American provision should be required of every country, including Israel, which has been given permission in the past to spend some of its U.S. aid in Israel, rather than the United States.

We consider the aid allocations for Israel to be too high on their own merits. It is worth noting also, however, that certain Israeli actions in the course of the last year call into question the wisdom of bestowing such generous amounts of aid on Israel. First, Israeli efforts to obtain sensitive classified information and sophisticated technology from the United States through illegal means, including espionage, would seem to call for severe reductions in aid, not the continuation of the levels it is already getting. We believe that the Pollard espionage case, for example, is only the tip of the iceberg.

Second, Israel's role in the so-called "Iran-contra arms affair" has severely hurt U.S. policy and interests in the Middle East. While investigations into Israel's role are still ongoing, we believe that the information already made public indicates that Israel bears a great deal of responsibility for the initiation of the arms sales and the prolongation of the policy long after it had proven unworkable.

Third, Israel continues to have close military and nuclear ties with the apartheid regime in South Africa despite a strict international embargo. A report released this month by the State Department indicates that Israel has continued to be involved in the maintenance and upgrade of major weapons systems that had been provided to South Africa before the 1977 embargo. It confirmed also that Israel has sold military systems and sub-systems and provided technical assistance to South Africa on a regular basis since the embargo. While Israel has recently claimed that it will not sign any new military contracts with South Africa, we believe that the fundamental alliance between Israel and South Africa, particularly in the nuclear field, will continue until the United States puts pressure on Israel to end it.

Fourth, Israeli policies in the West Bank and Gaza have also not been helpful to the chances for peace. Indeed, the political situation on the West Bank has deteriorated to an alarming extent in the past year. Long-simmering frustrations at the open-ended Israeli occupation erupted into demonstrations at the end of 1986, and those demonstrations have been brutally suppressed by the Israeli authorities, leaving a number of Palestinian Arabs, mostly children and youths, dead. Israeli authorities, ignoring the causes of the unrest in the West Bank and Gaza, have chosen to treat only the symptoms by closing all Palestinian universities.

Finally, Israel continues to maintain a military presence -- after almost five years -- in Lebanon. It continues to arm and maintain a surrogate militia force, the "South Lebanon Army," in a so-called "security zone" on Lebanese soil and has on several occasions in the past gone beyond that "security zone" to illegally harass and detain Lebanese who continue to militarily oppose an Israeli presence in Lebanon.

For all of these reasons, we urge that the aid levels to Israel be reduced. But even if this Subcommittee does not see fit to reduce these levels, we urge that it ensure that Israel, like all other countries, bear its fair share of foreign aid cuts required under Gramm-Rudman-Hollings.

Senator KASTEN. Mr. Sadd, thank you very much for your statement. We appreciate your being here to present your views.

Our next witness includes a panel, as I understand it, Mr. Williams, Mr. Schwartzman, and Ms. Barbara Bramble. If all of you could come forward.

The first representative of this panel—what I am going to ask you to do is to each make your opening statements, and then if there is time, we will go to questions—is Mr. Larry Williams, International Representative of the Sierra Club.

SIERRA CLUB

STATEMENT OF LARRY WILLIAMS, INTERNATIONAL REPRESENTATIVE, SIERRA CLUB

WORLD BANK REORGANIZATION

Mr. WILLIAMS. Mr. Chairman, I want to first thank you for your continuing help in this effort that the Sierra Club and many other environmental organizations are involved in to reform the lending practices of the multilateral development banks. The work of the subcommittee has really made all the difference and has ensured that the momentum that you began several years ago is continued.

We are, of course, encouraged that this May, the President of the World Bank, Barber Conable, made a very positive speech in which he promised major changes in the way the bank is going to go about doing business with regard to the environment. To our amazement, he even admitted that the Polonoroeste road project was probably a mistake, which I think is a real breakthrough for the bank to admit that anything they have done may not have been properly addressed or executed.

We, of course, are in a position now of not really knowing how this change is really going to be taken by the employees in his efforts to reorganize the bank. This leaves everything in great turmoil. So we are continuing, as I know you will be, to press the bank to make sure that the reorganization efforts are, indeed, carried out in a satisfactory manner.

As you know, the Foreign Relations Committee has incorporated into their proposed legislation the MDB reform language much similar to what this committee has adopted in previous years. We hope that, for some reason, that bill does not become law before the fiscal year 1988 appropriations bill is ready for passage. We hope that this committee can continue to support that in their legislation.

BANK SUPPORT FOR ENVIRONMENTAL PROJECT COMPONENTS

One new provision in the Foreign Assistance Act, which is worth mentioning in the proposed lending reform language, is the establishment of a lending target of not less than 20 percent of each bank's total lending portfolio to support environmentally beneficial policies, projects, and project components.

These loans would go to such things as technical assistance and support for environmental ministries and institutions; policies and projects to promote efficiency and conservation in the use of energy and water resources; and projects to preserve, protect, restore and rehabilitate sensitive ecosystems such as tropical forests, croplands, rangelands and grasslands, estuaries and other wetlands, fisheries, and wildlife habitats.

INTER-AMERICAN DEVELOPMENT BANK

I want to turn now to the Inter-American Development Bank. As you are aware, there have been some changes in the bank, but we are somewhat less than enthusiastic about the speed of those changes and whether there is any real commitment within the bank to respond to this committee's request for reform.

They have hired an environmental consultant, which we addressed in our testimony last year, Ed Farnsworth, and we are looking forward to seeing the results of his efforts, particularly the investigation of various projects in South America, and how they live up to the environmental concerns that we have continually expressed about IDB lending for projects.

Second, the IDB held, last May, what they call a consultative meeting with government officials responsible for the environment protection and conservation leaders. Because the IDB can't fund, so they say, the travel of nongovernment officials, they turned to the Sierra Club and the Biomass Users Network to see if we could find foundation money to bring some NGO leaders up from South America, the Caribbean and Latin America to be precise.

We were able to do that, and we brought 15 participants up to the meeting in which they participated fully. I think that everybody found this a very educational effort, especially the fact that bank officials had the opportunity to hear from the environmental officials in these various member countries and from the NGO's that, indeed, the environment is an important consideration in the lending practices. The bank officials have often said that their borrowing countries don't think that this is important, so I think that this was a real breakthrough.

However, as part of that conference, the NGO's asked a number of rather penetration questions and suggestions for the bank to respond to. The questions they asked were very much along the lines of what the committee has been calling for. I would like to submit a translation of a letter in which the bank responded to these questions from the NGO's as part of my testimony. I just able to get yesterday a copy of the translation the letter from Mr. Farraras, who is President of the Environmental Committee, to Manuel Fernandez in Mexico.

Senator KASTEN. Without objection, that letter will be included as part of your testimony.

Mr. WILLIAMS. Thank you.

The Latin American NGO's asked, in Question 2 of that letter, if the IDB is willing to establish a mechanism or procedure to take advantage of the experience and services of the NGO's in borrowing countries, including the working groups to be formed for this purpose.

The bank agreed that this was, indeed, a fine idea, and I quote, "There is an existing mechanism that should be taken advantage of, namely, the IDB representation, the branch offices, in each borrowing country. We are enclosing a list of the representatives with names, addresses, and phone numbers." We hardly think this is a responsive answer to the request of the NGO's who want to work with IDB as the bank had promised at the consultative meeting.

The Question 3, the NGO's asked if the IDB is willing to inform affected communities through the NGO's about the projects that they sponsor. In other words, this is the same request that the committee has made about involving NGO's in the project process. I quote the bank's answer: "It should be highlighted that in many projects the bank has sponsored, the governments have taken the initiative of informing the affected communities. This has allowed better and timely analysis and financing of necessary measures in each case."

In other words, if they want any more information, they have to go to their own government and get it, which is completely contrary to what this committee and the environmentalists have been pressing for, and it shows that the bank is not yet ready to open up its lending process to outsiders, if you will.

Therefore, we are less than enthusiastic about pushing for full funding of the IDB this year. If this committee decides to not take the administration's request, we would urge that MDB funding not be cut, but that any money saved from that effort would be transferred to other MDB's, because we feel that the MDB efforts around the world are very important and should be supported. But, as I said, we are not exactly enthralled with the IDB's progress at this point.

I want to mention just briefly that I went to Cairo for the annual meeting of the African Development Bank, and I got the very positive feeling that they want to work with us. We have offered to set up a consultative meeting with them, and we are now in communication with Mr. Gedamu about how that might be done. I am looking forward to a positive relationship there with the African Development Bank.

Thank you.

[The prepared statement of Mr. Williams and the translation of the letter follow:]

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CLUB

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STATEMENT

OF

LARRY WILLIAMS

Mr. Chairman, Members of the Subcommittee, I am Larry Williams, director of the Sierra Club's International Program. I very much appreciate the opportunity to present the Sierra Club's position on the FY'88 funding of some of the agencies and institutions under this Subcommittee's jurisdiction.

First, I want to thank the Chairman and the other members of this Subcommittee for their continuing interest and support of the effort to improve the environmental lending practices of the multilateral development banks. As this Subcommittee knows, our goal is to ensure that environmental considerations become an integral part of the banks' project planning process.

The Sierra Club supports the funding of the MDBs at the Administration's requested level. Our support, however, is very qualified when it comes to contuned full funding of the Inter-American Development Bank. I will get to this issues in a few moments.

As this Subcommittee knows, Mr. Conable had some very positive things to say at the World Resources Institute Dinner last May about his plans to improve the environmental performance of the World Bank. His speech was well received by our members and we are very hopefull that the committments he made in that address will be carried out.

The World Bank is a big organization and change does not come either quickly or easily. Take, for example, the attached letter dated March 11, 1987 from Pastor Sison of the Public Affairs Division to one of our members who wrote the Bank to express concern about the Sardar Sarovar Dam and Power Project, a part of the Narmada Project in India. The environmental and human problems associated with this dam are well documented, and we thought that the Bank was beyond denying the exitence the many environmental or social problems that remain unresolved.

However, if a person not well aquainted with this project were to read their letter, one would be lead to conclude that all was well and that all the environmental and human problems were well in hand. For example, the Bank tells Ms. Krohn that the allegation that the project is providing inadequate safeguards for tribal peoples "has no basis in fact."

Based on earlier data and from the most recent visit to the area by the Environmental Defense Fund's Senior Attorney Bruce Rich, we know that the real situation is nothing like the picture painted by the Bank officials in this letter. One can look at the Bank's response in two ways:

1. The Bank staff really does not know what is going on on the ground; or

2. The Bank is simply unwilling to admit that their safeguards, especially for the tribal peoples living in the valley, are not being implemented.

A careful reading of this letter reveals that the Bank is only reporting on the "safeguards" it has established for the project and is not saying anything about what is really happening on the ground. One can certainly understand the difficulties Bank officials can have enforcing the environmental and social provisions agreed to by the borrower countries. However, unless the borrower countries take seriously these "safeguards", as the Bank calls them, our whole effort to reform the Bank's environmental and social controls becomes a bad joke. The Bank must demonstrate that it expects the country to carry out the terms of the loan as they were agreed to. The borrower countries must come to understand that requirements built into their loans must be followed or the loan will be cut off. It is not at all clear to us that the Bank is all that adamant in enforcing its loan agreements, at least when it comes to such matters as protecting indigenous peoples rights or the natural resources base.

The Senate Foreign Relations Committee has incorporated language into the Foreign Assistance Act reauthorization legislation which would put into authorizing language the MDB reforms called for over the past several years by this Subcommittee. If for some reason the replenishment legislation does not become law prior to FY'88, we urge this Subcommittee to incorporate this language into this year's appropriations bill.

One new twist to this year's proposed MDB lending reform language is the establishment of lending targets of not less than 20 per centum of each bank's total lending portfolio to support environmentally beneficial policies, projects and project components. These loans would go to such things as: technical assistance and support for environmental ministries and institutions; policies and projects to promote efficiency and conservation in the use of energy and water resources; and projects to preserve, protect, restore and rehabilitate sensitive ecosystems such as tropical forests, croplands, rangelands and grasslands, estuaries and other wetlands, fisheries, and wildlife habitats.

Also incorporated into the Foreign Assistance Act reauthorization is the Africa Famine Recovery and Development Act. This amendment defines critical sectoral priorities for assistance in the areas of Agricultural Production and Natural Resources; Health; Voluntary Family Planning Services; Education; and Income Generating Opportunities. Minimum levels of assistance is earmarked at 10 percent of appropriated funds for Natural Resources, Health, and Family Planning. We urge this Subcommittee provide, in the FY'88 appropriation for AID, language that would allow AID to adopt their budget the new granting and accounting procedures for Africa as provided for in the Africa Famine Recovery and Development Act if the Africa amendments become law during the next fiscal year.

The Inter-American Development Bank

I now want to turn to the Inter-American Development Bank (IDB). Unlike the World Bank, we have not seen any dramatic changes in Bank policies, or even a commitment to make some lending reforms in the future. There are two positive developments that should be mentioned along with our grave concerns regarding the Bank's commitment to make any substantive changes.

1. The IDB has finally hired the environmental consultant whom we referred to in our testimony to this Subcommittee last year. Ed Farnworth will look at a number of IDB projects in Latin America and evaluate their environmental performances. We look forward to learning of the projects he choses to examine and receiving his evaluations. If the project evaluations are done well and are creditable, they could be a big help to the Bank officials in evaluating how their project planning and funding selections can be improved.

2, The second development of note is that the IDB held last May what they call a "Consultative Meeting" with government officials responsible for environmental protection and the conservation of natural resources in Latin America and the Caribbean and Latin American nongovernmental organization leaders. The meeting brought together some 140 participants, including public officials of each of the Bank's member countries, Bank staff members, observers from public and private organizations, and international organizations.

The IDB planned its meeting after IDB representatives attended a January 19-20 meeting entitled "Workshop on Developing Country Approaches to Environmental Protection and Management," held at the U.S. State Department and sponsored by AID and Biomass Users Network (BUN). At the conclusion of the January meeting, government participants from six countries prepared a "Call for Action" (copy attached) and asked BUN and the Sierra Club to explore ways to bring the "Call for Action" to the attention of the other developing countries.

Because the Bank cannot use its funds to pay the transportation expenses of the 15 NGO participants, the IDB has approached the Sierra Club to ask if we can find the necessary funding. We, in turn, found the needed funding through a number of foundations to bring the NGOs to the Bank meeting. We feel that the meeting as very useful in letting the IDB officials hear directly from the Latin American representatives that environmentally sound loans are important to considerations for the borrower countries and that the bank can and should do more.

We welcome the IDBs' initiative and feel that it represents a fine step in the right direction to bring borrowing countries' NGO leaders into the policy formulation process. Attached is a statement presented to the IDB by the NGO's who particapated in the Consultative Meeting. Also attached is a copy of the Bank's response to the NGO's letter. Less welcome is the letter the IDB sent in response. This letter is simply not responsive to the questions raised by the NGOs and tells us that is not ready to move out into the sunshine and work with the people who are directly affected by its development loans and who can be most helpful in seeing that the development projects take into consideration all of the necessary elements that protect the natural resources of the developing countries and ensure sustainable natural resource management.

It appears that the IDB has simply gone back to its old ways of doing business and has no intentions on following through on the commitments we thought it has made at this meeting. For this reason our support for continued funding of the IDB at the administration's requested level is very qualified. If the Congress does chose to reduce the funding level of the IDB we strongly urge that that money be distributed to the other MDBs. We do not wish to see the U.S. committment to continued support of the MDBs to be reduced.

Small Loans Program of the IDB

The IDB established a program for financing small projects in June 1978 called the Small Loans Unit. The Bank describes this program as a means of financing small projects "aimed at groups of people that hitherto have had little or no access to conventional sources of credit and whose members have incomes which generally are less than one-half the average per capita income in their countries." According to their 1985 Annual Report, the Bank has made 145 loans for a total of $59.3 million since the program began in 1978. In 1985 the Bank approved 18 loans totaling $6.7 million. These loans go through non-profit private intermediary institutions such as cooperatives, foundations or producers' associations and through some public development agencies. These loans are repayable over a term of up to 40 years, with a grace period of up to 10 years and a one percent fee. Here is a sampling of some of the 1984 loans which I thought were very positive in helping people help themselves:

- $300,000 loan by the Foundation for the Development of Women in Guatemala. The loan was to help low-income women carry out productive activities such as establish, expand and equip community orchards, poultry farms, hog raising facilities, fish farms, fruit and vegetable processing facilities, bakeries, textile and clothing shops, facilities for the production of ceramics and silverware, and fumigation, repair and other services;

- $500,000 loan to provide credit to more than 1,000 low-income artisans in Paraguay, and;

- $440,000 loan to the 4-H Board of Management in Jamaica to stimulate the production of basic grains, horticulture, hog breeding, poultry and dairy farming, irrigation, handicrafts, baking and the manufacture of clothings and other activities.

While these loans do not have direct environmental components, they certainly get help to the people who can put the funds to good use and provide ways for these people to improve the quality of their lives without making them dependent on technology which they cannot sustain.

We would like to see the IDB add environmental restoration or enhancement components to help restore vegatation, that may have been destroyed through over grazing or tree cutting for fuelwood, or soil fertililty or improve water quality, or the like.

We would also like to see the World Bank adopt such a small loans program of their own. I can think of no better way to show the World Bank loan officers that small amounts of money put into the right hands can make a significant impact on the quality of life at the village level.

African Development Bank

The Sierra Club has offered to work with the African Development Bank (AFDB) in the same manner as we are working with the IDB if they wish to arrange a consultative meeting with the environmental officials in Africa.

I attended the AFDB's annual meeting in Cairo the first of June. I was pleased to have the opportunity to discuss the posibility of the AFDB holding a consultative meeting with the Vice President for Operations, T. Gedamu. He seemed very supportave of the idea and has asked us to provide him with more information on what we have in mind and how we can help. We are currently exploring this idea with Mr. Gedamu. In additon Mr. Gedamu has reactivated the inter-departmental committee on environmental issues within the Bank.

I went to Cairo for the AFDB annual meeting to attend a symposium on the environmental crisis in Africa which was held the day before the start of the annual meeting. The Executive Director to the AFDB reported in a recent cable that "Board support for the proposed environmental activities was strong among both regional and non-regional directors. Several regional directors expressed concern that environmental problems have long been ignored by both member countries and the Bank, and that it is time to take steps to deal with the problems. Their comments and suggestions tend to push the Bank beyond the activities proposed in the paper." He continues by observing that "Somewhat to the surprise of USAFDB, several regional directors expressed appreciation for information sent to them by the Sierra Club and other American environmental groups. These directors believed these groups to be sources of expertise which the Bank might take advantage of." As our Donald Sherk, our Executive Director to the AFDB observes, this reaction signals an invitation for outside involvement and not an imposition by donor countries.

We feel that this first outreach effort turn out well, and that we will see much more involvement in the future by the Bank with the planning officials and NGOs of the borrower countries in Africa.

"Bankrolling Disasters"

Last September, the Sierra Club published a citizens' guide to the MDBs entitled "Bankrolling Disasters." We printed 15,000 copies and have already distributed some 13,000 copies worldwide. The response to the publication has been very encouraging. We have received very positive letters from AID missions, MDB officials, Bank executive directors, UNEP field offices, government officials and NGOs from all parts of the world.

We were most pleased to see our publication mentioned by Dr. Tolba, the Executive Director of UNEP, before the Committee of International Development Institutions on the Environment in Rome on March 23, 1987. Dr. Tolba reported that the publication has convinced "many influential circles." We certainly hope this has been the case. One measure of its usefulness is that it has been translated by the Brazilians into Portugese, and I hear the Japanese are also translating the document.

AID's Early Warning System

We are grateful that this Subcommittee placed language into the FY'77 appropriations bill intented to help direct the efforts of AID's Early Warning System. I believe that the Congressional attention to this little known MDB project tracking effort by AID has been very helpful. The most significant result has been the addition of an environmental specialist to the Early Warning staff by AID. We urge this Subcommittee to maintain the language regarding the Early Warning System in the FY'88 bill if the Congress does pass authorizing legislation prior to the end of this fiscal year which would, of course, make your efforts duplicative.

One of the things that we still want AID to do is to share their information with the finance ministers of other countries. It is not well known that the U.S. is willing to furnish information developed by AID. In our discussions with the World Bank Executive Directors prior to the Development Committee meeting we found that they have never heard of the U.S. tracking system. Several expressed interest in learning more about it. Not only would this information be of value to the donor and borrower countries in helping them to evaluate MDB projects prior to funding, but it would also, in our opinion, keep the environmental issue and social considerations of the loans before these decision makers. We were pleased with the improvements made by AID in their last two tracking reports but wish that these reports were more widely distributed.

U.N. Environmental Program

As this Subcommittee knows, the U.S. contributions in FY'86 and FY'87 declined by 32 percent to $6.8 million. This has deprived UNEP of more than 10 percent of its annual income and is severly crippling the agency's ability to do its work. We ask this Subcommitte to appropriate $10 million for FY'88. If the U.S. continues to send signals to the other donor nations that we do not support this agency's work, then we will soon find that funding coming from the other donor nations will fall off as well.

UNEP currently has 288 ongoing activities in areas including: monitoring of land, air and water systems; training and technical cooperation; strengthing of national environmental infrastructures; development and dissemination of information; and negotiation of environmental agreements.

UNEP has provided 53 percent of the cost of these activities, generating matching funds from UN agencies and other regional and national sources which underwrite the remaining 47 percent of the cost. For every $1.00 (U.S.) UNEP spends, $4.00 (U.S.) are spent by other contributors to support environmental actions.

Family Planning Funding

Through the innovation and leadership of AID, the U.S. historically has carried out population policy development activities through innovative bilateral aid and, until recently, prudent use of PVO's. But the need to provide assistance to alleviate population pressures in developing nations is running into budget pressures here at home. Coincident with the funding crunch is a lack of real commitment on the part of the Administration to effectively carry out in many cases family planning activities beyond rhetorical support.

We are witnessing the "ketchup bottle syndrome" with family planning activities, especially in Africa. Resistance to meaninngful population control has recently broken down in many parts of the continent, with the belated recognition that strong actions are needed to control population growth. The unprecendented demand for family planning services, and endorsements by governments such as Nigeria means that U.S. government assistance is needed now more than ever in funding proven voluntary population control services.

Africa's population growth borders on the uncontrollable: from the current level of 550 million, it is expected to reach 1.5 million in less than 40 years. If we are to avoid already onerous population strains on the African environment and natural resources from getting much worse, now is the time to take the necessary steps in reallocating funds to ensure proper levels of funding for family planning activities, in Africa and throuughout the developing world. The Sierra Club strongly supports full funding for the Africa section of the foreign aid bill and its reserve of ten percent of the funds allocated for family planning.

Biological Diversity Funding

Last year when the Congress passed the Biological Diversity Protection Act it authorized an earmark to $2.5 million for one year. This authorization for only one year was due to an unfortunate mix-up during the turmoil of the last few days prior the Congressional adjornment. The Senate Foreign Assistance Act which has been approved by the Senate Foreign Relations Committee contains a new authorization of $10 million. We fear that this legislation will not be adopted by the Congree prior to the end of this fiscal year and, therefore, the Biological Diversity Program will go unfunded for part or all of FY'88. We urge this Subcommittee to earmark $10 million of AID's budget to be spent to carry out the provisions of the Biological Diversity Law if it appears that the authorizaing legislation is not going to pass in time for the next fiscal year spending.

We feel that AID has done a very good job of carrying out the provisions of this law in this first year. We are anchous to see that this good beginning is not disrupted through the lack of Congressional direction. I wish such directon was not necessary but we are not convinced that the agencies committment to carrying out this law only extends as deep at the earmark imposed by the Congress.

The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

March 11, 1987

Ms. Susan M. Krohn
905 Robin Road
Alan Arbor, MICHIGAN 48103

Dear Ms. Krohn:

This is in response to your letter expressing concern about the impact of World Bank development projects on tribal peoples. The Sardar Sarovar Dam and Power Project in India was cited, along with other projects, as providing inadequate safeguards for tribal peoples. The allegation has no basis in fact. For example, in the case of the project in India, we believe measures have been taken by the Indian authorities to provide appropriate safeguards in this case. The project's emphasis is on rehabilitation through the restoration of the productive capacity of the oustees, rather than land-for-land per se as compensation. This emphasis was a conscious and deliberate decision based on a conviction that comprehensive rehabilitation, rather than mere land compensation, constitutes a much more solid and equitable form of recompense.

~~With respect to project oustees, on December~~ 12, 1979, the Narmada Water Disputes Tribunal rendered its Final Order regarding the interstate division of waters, which included provisions for the resettlement of land owner oustees in the States of Madhya Pradesh and Maharashtra. The Order required that irrigable land of equal size to that owned by the oustee be provided to each family having legal title to the land, with a minimum of 2 hectares per family.

The resettlement and rehabilitation component financed by the World Bank includes the above provisions of the Final Order. Moreover, in accordance with World Bank policies, the Final Order's requirements as to resettlement and rehabilitation have been enhanced in essentially two ways:

(1) First, through the legal agreements relating to the Sardar Sarovar Project, entered into by the Bank, the Government of India, and the participating States on May 10, 1985, the provisions of the Final Order relating to landowner oustees of Madhya Pradesh and Maharashtra were extended to the oustees of Gujarat.

(2) Second, the overall resettlement and rehabilitation program under the project provides for full rehabilitation of all oustees, landowner or landless, tribal or otherwise, of Madhya Pradesh, Maharashtra and Gujarat. The above legal agreements require the restoration, at a minimum, of the standard of living being enjoyed by oustees prior to their displacement. The oustees are, in addition, to be relocated as tribes, village units, village sections or families in accordance with their preference.

Let me restate that rehabilitation under the project goes beyond the mere provision of land and will include vocational training programs, alternative employment opportunities, social and physical infrastructure and community services, taking into account the traditions and cultural backgrounds, and with the informed consent of the oustee groups.

With regard to lands occupied by people without legal title, the legal agreements specifically provide that in order to increase or at least regain their standard of livelihood, landless oustees will be rehabilitated in the agricultural and non-agricultural sector in ways which ensure that the landless have their standards of living protected at a minimum.

There is no inconsistency between the terms of the International Labour Organization's (ILO) Convention 107 relating to Tribal and Indigenous Populations and the World Bank's own guidelines regarding both resettlement and rehabilitation, and tribal peoples. At the same time, the World Bank's agreements with the Government of India essentially follow our own guidelines on tribal peoples.

With regard to resettlement of tribal people in forested zones, a fact that needs to be underlined is that out of the 37,000 hectares estimated to be submerged, a reported 11,600 hectares are recorded as forest land. Of these, 4,500 hectares are in Gujarat, 2,700 hectares in Madhya Pradesh, and 4,400 hectares in Maharashtra. However, satellite photographs of the area indicate that only a small portion of the 11,600 hectares designated as forest land actually have some tree cover. Nevertheless, in order to establish compensatory forested areas, the participating States have informed the World Bank that they plan to afforest alternative land in lieu of the amount of the entire land recorded as forest land which is to be submerged, irrespective of whether or not that land is now tree-covered. As a result of the project, therefore, there is expected to be a net gain of truly forested area.

There are other safeguards to ensure the full implementation of each aspect of the agreed R&R program. The program will be closely monitored and evaluated by the Government of India through the Narmada Control Authority, an Interstate entity established by the Final Order, which is being strengthened under the project specifically in the area of resettlement and rehabilitation; independent research institutions employed by each State in accordance with terms of reference satisfactory to the Bank; and committees, established by the participating States, with adequate representation of the oustees. The Government of India and the States concerned will report to the Bank periodically on the progress of the R&R program. In addition to these safeguards, the Bank will also monitor the progress of the R&R program during our regular semi-annual project supervision missions, which will include anthropologist/sociologist expertise and consultant assistance required.

Semi-annual reviews of the progress of R&R activities will be conducted. Through these reviews, the R&R activities will be updated and revised as changing situations warrant, so that the activities can be adjusted annually in order to meet the evolving needs of the oustee population, which will inevitably occur. We are confident that this dynamic and flexible approach by the Indian authorities, which will allow the changing needs of the oustees to be addressed as they arise, is the most suitable strategy for achieving the successful rehabilitation of all project oustees.

Sincerely yours,

Pastor B. Sison
Public Affairs Divison
Information & Public Affairs Department

CALL FOR ACTION

Given the critical nature of the global situation we propose the following immediate actions:

1) Policies of the multilateral financial institutions should recognize the need for soft loans in the environmental area and develop mechanisms for a larger spectrum of projects in this area.

2) We strongly urge governments and foundations in developed nations to buy developing countries' debt to be converted for local liquidity to co-finance ecological and environmental projects. This approach benefits everyone: commercial banks can reduce their overseas exposure while developing countries expand their environmental restoration efforts, thereby improving the local as well as the global environment.

3) The World Bank, patrimony of its member states, should designate a specific portion of its investment returns as grants or soft loans so that developing countries can finance low-return-on-investment environmental projects.

4) Environmentally successful projects should be identified and highlighted so that financing can be channeled in this direction.

5) In response to developed countries' concern about the degradation of tropical forests, an important global resource, the workshop recognizes that tropical forests are also a main economic resource to support national development of the developing countries. Therefore, developed countries should formulate schemes to substitute for the loss (i.e. non-development) of such resources in order to implement the rehabilitation programs.

6) The multilateral and bilateral development assistance agencies, in cooperation with developed country environmental protection agencies, and international environmental and conservation NGOs, should increase efforts to share technical information about the sources of environmental pollution and information about other country experiences in devising regulatory systems to control environmental degradation.

7) Developing countries should increase their internal efforts and coordination to implement environmental policies. We believe that the dialogue begun here should, on a formal basis, continue and expand to include representatives from all interested developing countries. We suggest that the following groups jointly propose a mechanism by which this dialogue can be organized, developed for greatest effectiveness, and sustained: the Biomass Users Network, representing the developing countries, the Conservation Foundation, with access to developed country experience in environmental regulation, and the Sierra Club, advocating environmentally sound agendas financed by multilateral development banks. Our goal is to create a mechanism to facilitate information exchange and dialogue between developing countries on common needs and approaches to environmental protection and management appropriate to our countries.

[NOTE: this is an unofficial translation of the original letter]

Washington, D.C., May 16, 1987

Lic. Antonio Ortiz Mena
President
Inter-American Development Bank
1300 New York Avenue, NW
Washington, D.C. 20577

Dear Lic. Ortiz Mena:

We are pleased to present to you the recommendations that representatives from 22 Non-Governmental Orgànizations (NGOs) from 19 countries of the American Continent reached from May 12-16. These meetings took place before and during our participation in the First Consultative Meeting with Public Agencies Responsible for Environmental Protection and Natural Resource Conservation, sponsored by the Inter-American Development Bank.

We are formally responding to the commitment that we made in our public presentation before the General Assembly of this First Consultative Meeting on Thursday May 14.

On Saturday May 16, representatives of the 22 NGOs reflected on the First Consultative Meeting and raised various questions that are related to IDB concerns about the protection and management of the environment and natural resources. We would like to present these questions to you.

Our questions are based on the following observation. In three specific instances, material was presented that made it evident that the IDB and the participants in the meeting are interested in having relations with NGOs: in the first document presented in plenary session No 1; in the conclusions of several government representatives; and on page 2 of the "Progress Report on the Environmental Aspects of the Bank's Operations in 1986".

However, in the final speech given by Mr. Jorge Ferraris where he presented the conclusions of this First Meeting, the NGOs were totally ignored.

This situation leads us to present, courteously, the following questions:

1. Is it the intention of the IDB, as represented in its policies on the environment and management of natural resources, to establish contacts with and allow Non-Governmental Organizations to perform an advisory role in Bank activities ?

2. If so, is the IDB willing to establish a mechanism or procedure to take advantage of the experience and services of Non-Governmental Organizations of borrowing countries; arranging, for example, a working group formed by representatives from the IDB and NGOs for this purpose ?

3. Would the IDB be willing to inform affected communities, through NGOs, about the projects sponsored by the Bank ?

4. What is the official position of the IDB with regards to each of the recommendations on the document that we are enclosing ?

We look forward to a prompt reply, and use this letter to send you sincere greetings.

We remain truly yours,

on behalf of the 22 NGOs

Monsenor Roque Adames
Plan Sierra
Dominican Republic

Mary Allegretti
Institute for Amazonian
Studies - Brazil

Manuel Fernandez
Federacion Conservacionista

Mexicana - Mexico

Stewart Hudson
National Wildlife
Federation
United States of America

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Monsenor Roque Adames/Blas Santos
Plan Sierra
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Carl Aiken
Natural History Society of Jamaica
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Mary Allegretti
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Jorge Betancourt
Asociacion Hondurena de Ecologia
Honduras

Cecilia Blohm
Fundacion para la Defensa de la Naturaleza
Venezuela

Barbara Bramble/Stuart Hudson
NAtional Wildlife Federation
United States of America

Carlos Brockman
Liga para la Defensa del Medio Ambiente (LIDEMA)
Bolivia

Gustavo Castaneda de Leon
Defensores de la Naturaleza
Guatemala

Manuel Fernandez/Manuel Guerra
Federacion Conservacionista Mexicana
Mexico

Janine Ferretti
Pollution Probe
Canada

Luisa E. Guinand
Fundacion BIOMA
Venezuela

Felix Nunez
Fundacion de Parques Nacionales y Medio Ambiente
Panama

May 14, 1987

RECOMMENDATIONS OF THE NON-GOVERNMENTAL GROUPS (NGOs) IN THE CONSULTATIVE MEETING OF THE INTER-AMERICAN DEVELOPMENT BANK

From May 12-16, 1987, representatives of 22 Non-Governmental Organizations (NGOs) from 19 countries in this hemisphere, dedicated to the conservation of the environment, natural resources and community development, met in the city of Washington, D.C. to analyze the process of development in each one of our countries and the role that we can play in this process, a role stimulated by the grave environmental problems that affect our people.

We also have had the honor of being invited as observers to the, "First Consultative Meeting with Public Agencies Responsible for Environmental Protection and the Conservation of Natural Resources," sponsored by the Inter-American Development Bank (IDB). We recognize the opportunity that has been offered to us to bring to this effort, in a serious and responsible manner, our experiences, concerns, and desires.

We have been pleased by the interest that the IDB has shown in the protection of the environment and sustained development, as evidenced by the consultative meeting that we are attending and as was expressed clearly by the paper discussed during the first plenary session.(1) The NGOs here represented understand that these are necessary steps for what is of ultimate importance: the improvement of the quality of life of those living in Latin America and the Caribbean and of the generations that will inherit our hemisphere.

We believe that it is our duty to make good use of this opportunity to propose, with due respect, some observations that we hope will be of use in achieving these stated goals which are the concern and work of communities, NGOs, governments, Multilateral Development Banks, and the world in general.

Please allow us to state that it is not our intention to impose, but rather to collaborate, keeping in mind our own identity as individuals, as citizens, and as countries in order to obtain a balance between the maximum economic and social benefits that can be derived from the IDB's projects, and the minimum risk to our environment.

We should all be clear that the work of conserving the environment and fostering sustainable development is an enterprise so extensive that it requires the joint and respective efforts of the private, public, and international sectors. None of these sectors can complete this work by themselves. This suggests the need for bringing together and stimulating in each country the shared participation of local communities and NGOs in decision-making during all phases of the cycle of projects financed by the IDB and other multilateral development agencies.

To facilitate this closer working relationship with NGOs, national governments and the IDB, we believe that it is necessary that the Bank establish clearly in its official policy its intention to guarantee the participation of NGOs and affected communities in its activities. Their participation should be required in the identification, design, implementation, and evaluation phase of the development projects financed by the IDB.

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(1) "Policies, objectives, and role of the IDB in including the environmental dimension into development projects," delivered by Mr. Jorge Ferraris of the Environmental Management Committee.

It is our opinion that it is necessary to notify the public of the existence of such projects, and that the comments that result from this notification should be included in the Environmental Impact Statements.

It is also our belief that for the effective implementation of such projects it is a necessary condition that local and national NGOs, in coordination with the IDB and the governments, be part of the monitoring process. Only in this way will it be possible to assure the faithful completion of loan conditions agreed on during approval of the loans, though this should not serve as an obstacle to the independence and sovereignty of the borrowing countries. The cost of this coordinated monitoring should be internallized as part of the original project proposal.

For the post-project evaluation of social and environmental impacts, the Bank should hire NGOs together with local experts in the borrowing countries.

It is equally necessary to reconsider the traditional methodologies for analyzing the rate of return from projects, which at this point favor short-term monetary values. A new methodology is required to analyze short and medium term social and environmental costs and benefits.

It would also be useful for the IDB to increase the funds for social and environmental components of all the projects in which it participates, in addition to providing the financing for small projects which are of social or environmental benefit.

In terms of fairness, the IDB should accept, together with the borrowing countries, the shared responsibility for the negative social and environmental consequences of past projects. This shared responsibility could be demonstrated in the following manner:

1. consideration of the creation of a new category of loans dedicated to mitigating the negative effects directly caused by these projects, or negative impacts resulting from not having included variables that affect the viability of these projects, as has often been the case with the protection and management of watersheds for hydroelectric projects.

2. to reflect these realities, adjustment of rates of interest of past projects that have had a negative impact and have had a consequent lower than expected internal rate of return.

We think that the IDB should increase the awareness of all member countries of the importance of maintaining biological and cultural diversity and establish funds which can be used to provide incentives for those governments that preserve such resources.

In order to help the borrowing countries identify environmental problems and to develop solutions to these problems, and in order to facilitate a closer relationship among the NGOs, the governments, and the Bank, we think that there should be:

1. addition to Bank staff of experts in the areas of social sciences and the environment at a national and regional level; and

2. together with other multilateral development agencies, assistance to the borrowing nations in order that they can prepare periodic reports on the environmental situation and trends in these countries.

Finally, in order to achieve the objectives stated above, we think that the IDB should:

1. modify and augment the use of the Small Projects Window to make loans available to NGOs in the borrowing countries to develop projects of social and environmental benefit; and

2. with the income from IDB investments, or perhaps through the Small Projects Window, make grants to the NGOs in the borrowing countries for the institutional strengthening of these organizations.

These suggestions reflect the consensus of the 22 NGOs that are meeting here. We wish to again thank the directors and staff of the IDB, together with the participants in the consultative meeting, for the opportunity to work together.

Senator KASTEN. I share your concerns, and the committee shares your concerns about the progress of the Inter-American Development Bank, or its lack of progress. There are a number of problems, I think, among the most important ones are the environmental problems, but there are some other problems with that organization.

I also appreciate your testimony about the African Development Bank. They are proving to be a good example of a group of individuals and countries who are now working for the goals and principles which I think all of us share.

As you might know, I met with the leadership of the African Development Bank in April, and was tremendously impressed with their attitude toward these issues and the importance that they put on environmental responsibility in Africa.

Our next witness is Mr. Stephan Schwartzman of the Environmental Defense Fund.

ENVIRONMENTAL DEFENSE FUND

STATEMENT OF STEPHAN SCHWARTZMAN, ENVIRONMENTAL DEFENSE FUND

MULTILATERAL DEVELOPMENT BANKS FUNDING

Mr. SCHWARTZMAN. Thank you, Mr. Chairman.

I appreciate very much the opportunity to appear before this subcommittee concerning appropriations for the mulit-lateral development banks for fiscal year 1988. I am testifying today on behalf of four national environmental organizations: EDF, the Environmental Policy Institute, Friends of the Earth, U.S., and the Isaac Walton League of America.

Senator KASTEN. I am going to have to ask you to speak up a bit. They are struggling in the back trying to hear you.

ENVIRONMENTAL REFORMS

Mr. SCHWARTZMAN. Mr. Chairman, the environmental groups that I represent today are very grateful for the leadership this subcommittee has shown in promoting environmentally sustainable development in the MDB's. In 1984, this subcommittee issued report language, and in 1985 and 1986 proposed and helped to pass legislation that established

U.S. leadership in improving the environmental performance of these institutions. This effort has resulted in the first step towards major reforms in the MDB's.

I believe that it is as a direct result of the scrutiny and pressure exercised by this subcommittee and others in the Congress, as well as the growing international public outcry over the environmental and social disasters the bank has financed that the President of the World Bank has initiated a series of major environmental reforms in that institution.

These reforms, if fully and appropriately implemented, would represent a historic change in the most influential international development institution in the world. This process of change is beginning in the World Bank, and in the regional MDB's it can be barely detected. It is critical that the Congress continue to ensure that the Treasury Department and U.S. Executive Directors do not cease in their efforts to make these institutions ecologically and socially more responsible.

In his speech of May 5, 1987, Mr. Conable confirmed what our organizations have maintained for over 4 years. The bank has been part of the problem, and it can be part of the solution. I wish that this admission and the administrative reforms that Mr. Conable has announced reflect an on-going process of change in the attention given to sustainable management of natural resources in the projects currently being financed by the bank and the other MDB's.

My organization and others are finding more and more evidence of poorly planned, tragically misguided projects, which are destroying the natural resource base on which the world poor in the developing countries depend. It is urgent that the World Bank's commitment translate into concrete changes in bank projects, and equally urgent that the regional banks undertake similar reforms.

SUPPORT OF IDB FUNDING

The national environmental organization I represent today support the administration's funding requests for the replenishment of the International Development Association, and for the other MDB appropriations this subcommittee will consider. We recognize, however, that the Congress has difficult budgetary decisions to make.

Should the subcommittee find it necessary to cut any part of the administration's request, we strongly suggest that reductions come from the request for the Inter-American development Bank which has been particularly egregious in its insensitivity to environmental problems in its projects.

The World Bank has taken a number of extremely significant steps, but environmental progress in the regional MDB's is much more limited, the partial exception is the African Development Bank.

The IDB, on the other hand, has moved from a posture of recalcitrance and foot-dragging on the environment to one of outright resistance to accountability for the environmental and social consequences of its projects.

The bank's response to the informed and serious concerns of the situation in the Porto Velho-Rio Branco Road project raised by you, Mr. Chairman, and Senator Inouye, as well as the U.S. Executive Director, is disinformation. Unfortunately, this is only one indication of the IDB's unwillingness to address serious environmental and social problems in its operations.

The IDB did hire a senior environmental specialist to review all projects, but only on a 1-year contract basis. This is clearly not sufficient. The IDB did take a positive step in sponsoring a regional meeting of environmental ministers this May, but the bank, while taking the position that environmental concerns should be integrated into all phases of the bank's operation, failed to state how or when this could take place.

Mr. Chairman, what is most important to our members, as well as to the dozens of Third World organizations with whom we are in contact, is what happens in the MDB projects on the ground. Last April, my colleague, Bruce Rich, senior attorney for the EDF on international programs, testified and cited evidence of massive destructive of natural resources and human suffering in two World Bank mega-projects in India. I am submitting an annex to my prepared statement describing these projects.

Senator KASTEN. I know that you are trying to rush to get all of this in. We are under some time constraints also. If I may I'd just ask you to try to summarize your statement, but I would like to say that I appreciate the strong statement you are making, particularly when you talk about misinformation, disinformation, and the lack of accountability. I think your statement is going to have an effect on the way we, in the Congress, respond to the facts that you are bringing before us.

Mr. SCHWARTZMAN. Perhaps, if I could just summarize the remainder of my statement.

MATO GROSSO ROAD

In my prepared statement there are a number of World Bank projects that are serious projects, but the IDB has been of particular interest. One project which has just come to our attention is the Mato Grosso road construction project that the IDB has financed. In 1981, the IDB approved two loans for road paving.

BR-70 ROAD

One of the bank financed roads, the BR-70, runs through the middle of an indigenous reserve. The Brazilian Indian Foundation was required, as a loan condition, to submit annual reports on the situation of these indigenous areas. No reports have been prepared or sent for the last three years. This is a clear indication of the kind of priority the IDB gives to conditions relating to environmental protection of indigenous populations.

I would like to thank you and Senator Inouye, in particular, for your efforts to see that the IDB's PortoVelho Rio Branco Road improvement project does not become a repetition of the scandalous situation in the World Bank's Polonoroeste project.

The IDB's recent response to you and to the U.S. Executive Director maintains that this project is substantially in compliance with the law and conditions negotiated by the bank, and this response really neglects a number of very central points.

The IDB's contracts includes provisions relating to the implementation of measures to protect the environment and indigenous populations. Now, more than 2 years after the loan was approved, work on the road is going ahead, and in all probability will be finished in a year or a year-and-a-half, and all aspects of the environmental action plan are delayed, and in some key areas nothing at all has been done.

DEMARCATION OF INDIGENOUS LANDS

The most advanced part of the plan is the demarcation of indigenous lands. Their plan called for 35 areas to be demarcated by the end of 1987, and there are now 11, some of which are in process of being fully demarcated.

The indigenous people component in the most advanced part of the project, and in some other areas virtually nothing has been done. Specifically, the forest monitoring and extension services, and the creation of protected areas remain unimplemented. Work on the road is itself threatening to cause a public health disaster because of the malaria that is being spread.

I urge you to continue your scrutiny of this project. The organizations I represent urge you to continue in your efforts to see that the environmental conditions on this loan, and all IDB loans, are implemented.

Just to quickly conclude, the environmental groups that I represent today urge this subcommittee to continue to send the message to the MDB's that U.S. concern for the endangered natural resources, indigenous people, and displaced world poor in the developing world is not a passing fad. The environmental reforms that the World Bank show this concern, and the U.S. reform program that this committee has been so instrumental in promoting, can lead to reordering the priorities of these institutions.

We ask that the subcommittee be prepared once again to incorporate MDB environmental reform legislation in the appropriations legislation should efforts fail this year to incorporate these measures in the bank's authorizing legislation.

Thank you.

[The prepared statement of Mr. Schwartzman follows:]

ENVIRONMENTAL DEFENSE FUND

STATEMENT OF
STEPHAN SCHWARTZMAN
ON BEHALF OF

ENVIRONMENTAL DEFENSE FUND
ENVIRONMENTAL POLICY INSTITUTE
IZAAK WALTON LEAGUE OF AMERICA
FRIENDS OF THE EARTH

I. Introduction

Mr. Chairman, I appreciate very much the opportunity to appear before this Subcommittee concerning appropriations for the Multilateral Development Banks (MDBs) in Fiscal Year 1988. I am Stephan Schwartzman, staff anthropologist at the Environmental Defense Fund (EDF). I am testifying today on behalf of four national environmental organizations: EDF, the Environmental Policy Institute, Friends of the Earth, U.S., and the Izaak Walton League of America. Together, these organizations have over 130,000 members and supporters nationwide. EDF has over 70,000 members and Friends of the Earth, U.S. has 15,000. The Izaak Walton League of America has 45,000 members. The Environmental Policy Institute is a non-membership environmental research and advocacy organization.

Mr. Chairman, the environmental groups I represent today are very grateful for the leadership this Subcommittee has shown in promoting environmentally sustainable development in the MDBs. In 1984 this Subcommittee issued report language, and in 1985 and 1986 proposed and helped to pass legislation that established US leadership in improving the environmental performance of the MDBs. This effort has resulted in the first step towards major reforms in these institutions.

This is the third year this Subcommittee has been reviewing the environmental performance of the multilateral banks. Today's hearing is the twentieth held by the U.S. Congress since 1983 where the ecological record of these banks has been a major topic of discussion and investigation. I believe that it is as a direct result of the scrutiny and pressure exercised by this Subcommittee and others in the Congress, as well as the growing international public outcry over the environmental and social disasters the Bank has financed, that the President of the World Bank has initiated a series of major environmental reforms in that institution. These reforms, if fully and appropriately implemented, would represent a historic change in the most influential international development institution in the world. This process of change is beginning in the World Bank, and in the regional MDBs can be barely detected. It is critical that the Congress continue to ensure that the Treasury Department and the US Executive Directors do not cease in their efforts to make these institutions ecologically and socially more responsible.

In his speech of May 5, 1987, to the World Resources Institute, Mr. Conable confirmed what our organizations have maintained for over four years of discussion and debate on the environmental and social record of the World

Bank: the Bank has been part of the problem, and it can be part of the solution. To his, and the Bank's, credit Mr. Conable also admitted that the Bank made mistakes in the internationally notorious Polonoroeste project. I wish that these admissions, and the administrative reforms that Mr. Conable has announced, reflected an ongoing process of change in the attention given to sustainable management of natural resources in the projects currently funded by the Bank and the other MDBs. But problems in Bank projects remain serious and urgent. My organization and many others are finding more and more evidence of poorly planned, misguided projects which are destroying the natural resource base on which the rural poor in developing countries depend. In project after project we are discovering that the MDBs' institutional weaknesses and lack of commitment of resources and staff to ecological matters is destroying the biological capital on which all future development in the Third World must draw. And it is especially the poorest of the poor, the most marginalized populations who are most cruelly affected. In a number of MDB projects gross ecological negligence is reducing rural populations from a subsistence economy to absolute destitution.

It is urgent that the World Bank's commitment translate into concrete changes in Bank projects, and equally urgent that the regional Banks undertake similar reforms. The IDB in particular has, rather than the confronting the problems as the World Bank has begun to do, perpetrated a coverup of gross environmental and social mismanagement in its Porto Velho-Rio Branco road paving project, in its response to the US Executive Director on this project, as well as to you and Senator Kasten. Continued vigilance on the part of this Subcommittee and others in Congress will be crucial in ensuring that the World Bank's initial steps to address these urgent concerns do not falter, and that the regional MDBs follow the same path. We will only see meaningful improvements in the lending quality of these institutions, which receive so much support from the taxpayers of the United States, to the extent that we, and the citizens and governments of other member countries hold them strictly accountable for the impacts of their activities.

In my statement I will first review what signs of positive change in the MDBs we can find after almost four years of intense Congressional scrutiny. I will then discuss a number of recent developments in MDB projects where environmental and sociological negligence has caused or risks causing tremendous ecological destruction and human suffering.

The national environmental organizations I represent today believe that that the US can be most effective in promoting needed reforms in the MDBs by maintaining a strong voice and vote in them. We therefore support the Administration's funding request for the Eighth Replenishment of the International Development Association and for the other MDB appropriations this Subcommittee will consider this summer. We recognize, however, that the Congress has difficult budgetary decisions to make. Should this Subcommittee find it necessary to cut any part of the Administration's request, we strongly suggest that reductions come from the request for the Inter-American Development Bank, which has been particularly egregious in its insensitivity to environmental problems in its projects.

II. Environmental Progress of the MDBs

A. The World Bank

On May 5,1987, Barber Conable, president of the World Bank, announced the environmental reform plan our organizations had been awaiting for over a year. Two measures in particular will, if this commitment is put into action, have broad, positive effects on the Bank's capability to assist developing countries to better manage natural resources. First, the Bank has created a central environmental department, as well as environmental units in the regional divisions, and is starting to substantially increase environmentally and sociologically trained staff. Second, the Bank promises to develop and promote the work pioneered by the Work Program in the Economics of Natural Resource Management. This innovative research is developing criteria that will revamp the Bank's cost benefit analysis and country programming and planning activities to give greater weight to long term natural resource concerns.

These are important steps, but it is critical that they lead to changes in Bank projects and programs, and that the momentum for giving sound management of natural resources a high priority in Bank work continue. We are concerned that the Bank's commitment to increased staffing levels has already been reduced. On May 6th, Mr. David Hopper, Senior Vice President for Policy, Planning, and Research, was quoted in the New York Times that there would be the equivalent of 100 full time environmental positions. On July 2, he communicated to the US Executive Director that the central department will have 27, with an additional 21 in the the four regions, for a total of 48. The Bank must ensure that the environmental staff have appropriate professional training and qualifications. It will be a serious blow to the Bank's credibility if the staff of the central department and regional units consists, even in part, of individuals with no particular environmental or sociological background who have been relabeled "ecologists" or "sociologists".

Another key issue that Mr. Conable raised was the importance of non-governmental organizations (NGOs) in natural resource management. The Bank has for years conducted meetings and seminars with first-world organizations, to discuss NGO participation, without taking action to involve borrower country organizations in the Bank's operations. After a June 3 meeting the Bank took the positive step of agreeing to furnish minimal information on its operations to third world NGOs. If this initiative is to proceed beyond the level of public relations, it must increasingly focus on operational involvement of borrowing country NGOs.

Mr. Conable also addressed the need to save the world's tropical forests, and here too we applaud his commitment. To this end, he proposed doubling the Bank's forestry lending. Since some World Bank forestry projects have actually increased pressure on tropical forests rather than decreasing it (see below III A.), the Bank must review the consequences of its past forestry lending before proceeding with more of the same.

There has been limited but encouraging progress in the implementation of some Bank loans that have been a subject of vociferous criticism by outside groups and by the U.S. Treasury Department and Democratic and Republican members of this Congress. Last June 19th the World Bank approved a $500 million loan for the Brazilian electric power sector. The U.S. Acting Executive Director voted against the approval of this loan, and castigated the Bank for financing "pure folly," and "environmental disasters." Bank staff has, however, made a serious effort to promote the establishment of environmental assessment units within the regional electric companies in Brazil and to put into action resettlement plans and environmental protection measures associated with a number of the projects that will be completed under the loan. I understand that negotiations on a second, $300 million energy sector loan have been delayed pending evidence of compliance with the environmental conditions of the first loan.

The Bank has also begun promising initiatives to finance environmentally beneficial projects. In Brazil World Bank staff are identifying a national environmental policy loan which would provide technical assistance, training and support to a number of Brazil's national and state environment and forestry agencies. This is exactly the sort of loan the Bank should be promoting on a much larger scale, rather than continuing to finance resettlement programs in tropical forests and other environmentally destructive activities.

B. The Regional MDBs

Environmental progress in the regional MDBs is much more limited. A partial exception is the African Development Bank, which, given its limited resources, has been more responsive than either the Asian Development Bank or the Inter-American Development Bank to the environmental concerns of non-governmental organizations in its member nations, both borrowers and donors.

The AFDB has made good faith attempts to address environmental concerns that were brought to its attention by environmental NGOs in two recent projects: the Nyando irrigation project in Kenya and a proposed project to construct a beef abbatoir in Botswana.

The ADB appears to be particularly insensitive to some of the environmental and socio-cultural issues associated with its projects. In response to suggestions put by the US Executive Director in 1986 on the involvement of non-governmental organizations in its operations, the ADB claimed that there were very few organizations in the region that could participate usefully in project work. Yet, in Asia, in particular, there is a wealth of active and qualified NGOs whose informed participation could only improve MDB project quality. The ADB may however,consider hiring a third environmental specialist by the end of the year.

The IDB has moved from a posture of recalcitrance and foot-dragging on the environment to one of outright resistance to accountability for the environmental and social consequences of its projects. The Bank's response to the informed and serious concerns on the situation in the Porto Velho-Rio Branco Road project, raised by you, Mr. Chairman, and Senator Kasten, as well as the US Executive Director, is disinformation. Unfortunately, this is only one indication of the IDB's unwillingness to address serious environmental and social problems in its operations.

The IDB finally hired a senior environmental specialist to review all IDB projects in preparation or implementation, but only on a one year contract basis. This is clearly insufficient. As my colleague Bruce Rich noted in testimony before this subcommittee in February last year, the IDB desperately needs several environmental experts to review prospective projects, and would benefit greatly from the creation of an environmental department. The Bank's current Environmental Management Committee, to whom the newly hired specialist is an advisor, consists of high level staff with no background in environment or socio-cultural impact assessment and with a multitude of other duties--at best this Committee can review in depth, with technical advice, only eight to twelve projects a year out of more than 80 new projects and hundreds of ongoing ones.

The IDB took a potentially very positive step in sponsoring a regional meeting of Environmental ministers and officials this May. The goal of this meeting was to familiarize these borrowing country officials with a new IDB priority on integrating environmental concerns at an early stage in the project cycle. The Bank, while taking the position that environmental concerns should be integrated into all phases of the Bank's operations, including preparation of Country Programming Papers, failed to state how or when this could take place. The Bank made no committment to take any action to improve its capacity to promote the sustainable use of natural resources through the addition of appropriately trained staff. Mr. Ferraris, chairman of the Environmental Management Committee, in the closing speech of meeting, insisted that the bank would neither take initiatives to finance environmentally beneficial projects, nor propose involving environmental ministries in loan negotiations.

The Bank took the positive step of inviting 22 South American non-governmental organizations to attend as observers, but the Bank's final message to these groups was little better than an insult. The Bank studiously avoided any mention of the recommendations these groups made at the meeting, and has taken no action to even begin to consider mechanisms to permit such organizations to contribute to improving the quality of Bank projects.

III. Continued Evidence of Systematic Environmental and Socio-Cultural Mismanagement in MDB Projects

Mr. Chairman, what is most important to our members, as well as to the dozens of third world organizations with whom we are in contact, is what happens in the MDB projects, on the ground. Bank staff often say that our criticisms are either historical or anecdotal -- i.e., that the problems have been fixed, or that the evidence is not substantiated. We are finding just the opposite. Over the past year we have received an onslaught of information from non-governmental environmental and community groups in particular in Brazil and India, bitterly protesting the effects of MDB projects, and their top-down, closed process of project planning and implementation.

Last April my colleague Bruce Rich, Senior Attorney for the EDF International Program, testified before the Foreign Operations Subcommittee of the House Appropriations Committee, citing evidence of massive destruction of natural resources and human suffering in two World Bank megaprojects in India. He also cited three Bank-financed projects in Brazil that either have contributed to violent social conflicts or involve violations of Bank indigenous peoples or environmental policies. The Singrauli Coal and Power Projects in India, which have forcibly displaced some 25,000 tribal people and reduced these people to absolute destitution, are an exceptionally shocking case of environmental and social negligence. I am submitting an annex describing these projects for the Committee's files. (see annex A)

Since then, similar information on several other World Bank projects has come to our attention. In India and Brazil, the Bank's two largest borrowers, there is mounting evidence of Bank projects that have directly contributed to the impoverishment of the rural poor or involve flagrant violations of the Bank's environmental and indigenous peoples polices, and indeed of explicit conditions of loan agreements.

A. World Bank Forestry Lending

Recent critiques of World Bank forestry lending in India are particularly disturbing in light of Mr. Conable's announcement that the Bank plans to double its forestry lending. NGOs in developing countries, India in particular, have bitterly protested previous Bank forestry investments that involve the extensive cultivation of environmentally and socially inappropriate species such as eucalyptus.

A case in point is the World Bank/ODA financed social forestry project in Karnataka, India. Plagued by controversy since its inception, the problems in this project stem from a fundamental contradiction between its stated objectives and its design and implementation. The main objectives of the project were to increase supplies of fuelwood, fodder, small timber, and fruit to rural and semi-urban areas in Karnataka. Yet 81% of the planting in the original project design was for private farm forestry. The Bank's appraisal report estimated 92% of this would consist of eucalyptus, a species which does not meet the forestry needs of the rural poor.

Moreover, the widespread cultivation of eucalyptus in the Karnataka project has resulted in adverse social and environmental impacts including: 1) the destruction of vast areas of valuable agricultural land, 2) declining food productivity for small farmers surrounded by larger eucalyptus farms, 3) conversion of ecosystems which provide biomass used for fuelwood, fodder, and small timber, essential for the survival of the poor, 4) increasing pressure on existing forests.

The problems in the Karnataka are indicative of similar issues in other ongoing and planned Bank forestry projects in India and elsewhere, which in many instances are similar in species choice and design. The Bank needs to reevaluate and address problems in existing social forestry projects, and redesign future forestry investments. I would like to submit a more detailed description of the Karnataka project for the Committee's files. (annex B)

B. World Bank Brazil Carajas Iron Ore Project

While World Bank staff have taken positive steps in Brazil to address problems in existing projects and identify environmentally beneficial activities for prospective funding, we are constantly discovering new evidence of continued environmental mismanagement in other Bank financed undertakings.

In the World Bank Carajas Iron Ore Project, Bank-financed infrastructure, in the project area is being used for charcoal-fired industrial projects that will devastate an area of pristine and irreplaceable tropical forest about the size of the state of Delaware every two years, in flagrant violation of the Bank's loan agreement. These projects, mostly pig iron smelters, would not exist without massive tax incentives. Using native tropical forest, treated as having zero value, as the fuel and carbon source, the industry would exhaust the wood supply and consequently its own economic basis, in twenty years or less.

The Carajas Iron Ore Project, a $304.5 million iron mining, railroad, and deepwater port project, approved by the Bank in 1982, included provisions to protect the environment in the heavily forested project area, as well as a Special Project to assist the more than 10,000 Indians in 23 groups that live in the area of influence of the mine and the iron ore railroad. Section 3.10 of the Loan Agreement states that "the Borrower shall take all action, as shall be required to ensure that the execution and operation of the Project are carried out with due regard to ecological and environmental factors...". Companhia Vale do Rio Doce (CVRD), the borrower, has in fact carried out environmental research and reclamation of degraded lands in the immediate vicinity of the mine.

CVRD's environmental superintendent described concisely the environmental effects of the charcoal-fired pig iron projects: "the economic viability of a charcoal-based iron industry in the Carajas Railroad area is dependent on the devastation of the native forests." The first 11 projects alone will require 1.1 million tons of charcoal a year, and this will come from virgin tropical forest. Many of the indigenous reserves in the project area, with which the Bank has been concerned in the Special Project, have large reserves of standing forest and are already partially occupied by desperately poor peasants. The immediate effect of these smelters will be the destruction or radical degradation of the Indian lands, as well as other remaining forest reserves, as an army of small scale charcoal producers desperate for income razes the forest.

CVRD has a monopoly on the iron ore in the region, and also owns the railroad these projects will use. The company is in flagrant violation of its contract with the Bank in its cooperation with these pig iron projects. The effect of these projects, if they are allowed to go forward, will be to utterly undermine all the Bank's efforts at environmental protection and protection of the indigenous populations in its project area. If the Bank does not use its leverage to stop this violation of its policies and the loan agreement, a disaster to dwarf all other development disasters in the Amazon will ensue.

I would like to submit for your files a copy of a letter to the World Bank we have prepared, detailing this situation, and discussing a number of other serious problems in the project area. (see annex C)

C. The Inter-American Development Bank

1) Loans to the Livestock and Agriculture Sectors

Serious cases continue to come to our attention of IDB environmental mismanagement. Research conducted by Stewart Hudson of the the National Wildlife Federation indicates that the IDB continues to promote livestock loans in Latin America despite the well documented literature on the adverse environmental impacts and economic inefficiency of livestock development in tropical areas. For example, the IDB is now considering the seventh in a series of loans to the livestock sector in Panama. To date, despite the vast amount of evidence linking deforestation to expansion of the cattle industry in Panama, there has been no assessment by the IDB of the environmental impacts of loans of this type. In fact, in the loan document for the last livestock loan granted to Panama's Banco Agropecuario (January, 1985), there is no mention of the environmental aspects of this project at all.

Though the 1985 loan contains a prohibition against the use of funds for purchase of new land, and though Bank staff argue that the loan is intended to intensify existing production rather than to expand cattle grazing in forested areas, the Bank has not demonstrated its ability or willingness to ensure that these conditions are in fact being met. In the meantime, destruction of the dwindling forests of Panama, largely caused by the ever expanding cattle industry continues.

Unfortunately, the IDB lending to Panama is not an isolated case. Global credit loans for livestock and agricultural development are becoming an increasingly important part of the IDB portfolio; $275 million in such loans were approved between October 1986 and March 1987. For the vast majority of these loans there is no mention in the appraisal reports of their potential environmental implications.

Sector and general credit loans of this kind could present a favorable opportunity to promote sound resource management through general conditions and incentives. (The Economics and Policy division of the central environmental department of the World Bank was created to deal with these issues.) The worst case scenario, unfortunately, is the current one at the IDB, where sector and credit loans are approved in increasing quantity without environmental analysis and with almost no environmental conditionality. The situation is further exacerbated by the IDB's apparent inability or unwillingness to monitor the carrying out of such conditions in the rare instance or two where they exist.

2) Mato Grosso Road Construction

In 1981 the IDB approved two loans totalling $77 million to the State of Mato Grosso for paving of 1,294 kilometers of state and federal roads. The project in general has contributed to deforestation from increased colonization, logging, and unsustainable conversion of tropical forest for cattle pasture. Nonetheless, no environmental assessment of the project was required or prepared. One of the Bank financed roads, BR-070, runs through the middle of an indigenous reserve, the Merure reserve of the Bororo Indians, and runs along the boundary of the Sangradouro reserve of the Xavante Indians. The National Indian Foundation was required, as a loan condition, to submit annual reports on the situation of these indigenous areas, and the effects on them of the road. No reports have been prepared or sent for the last three years. This clearly indicates the low priority given by the IDB to loan conditions relating to environment or protection of indigenous populations.

3) The IDB Porto Velho--Rio Branco Road Improvement Project

This project, since the U.S. Executive Director of the IDB abstained from approving it in 1985 on environmental grounds, has been a key test of the IDB's willingness and ability to address and mitigate serious environmental risks in its activities. Tragically, this project is now at the edge of an ecological and economic debacle that will repeat the scandalous situation in the World Bank's Polonoroeste program.

Mr. Chairman, I want to thank you and Senator Kasten for your attention to the very serious situation in this project. The IDB's recent response to you, and to the US Executive director, maintains that this project is "substantially in compliance" with the loan conditions negotiated by the Bank. This response neglects to mention a number of central points.

Clause 5.02 of the First Part, Special Dispositions, of the Loan Contract, loan No. 150/IC-BR states that the Bank required a signed agreement between six Brazilian government agencies for preparing environmental action plans and, "(ii) the implementation of measures with the objective of avoiding and mitigating the adverse effects that the project may have on the environment, natural resources, and indigenous communities in the area of indirect influence of the Porto Velho - Rio Branco Road...". The measures that the Bank cites as evidence of compliance with the loan contract are all clearly intended to lead to the concrete actions referred to in item (ii) of Clause 5.02. i.e., the measures contained in the Preliminary Action Plan (PAP). These concrete actions either have not been carried out or are drastically behind schedule, despite the availability of resources, including disbursed but unspent IDB funds. It is extremely difficult to comprehend how the Bank can maintain that there has been substantial compliance with the conditions in the contract.

More than two years after the loan was approved, work on the road proceeds, and will in all probability be finished within a year to year and a half. All aspects of the environmental action plan are delayed, and in some key areas nothing at all has been done.

The most advanced part of the plan is the demarcation of indigenous lands. The plan called for 35 areas to be demarcated (i.e., to be created by Presidential decree and physically delimited) and to be legally regularized, by the end of 1987. These steps represent minimal prerequisites but not sufficient conditions for preventing the spread of epidemic diseases among Indian groups, violent conflicts between Indians and colonists, and land grabs by large landowners. As of July 1987, 11 areas had been demarcated, and were in process of being regularized, and demarcation had started on 4 areas. Three areas remain even to be identified in Acre; among these are uncontacted Indians in danger of extermination through introduced diseases brought by colonists. Since 1986, virtually no progress has been made in this area, which was identified in the Bank's action plan as the most pressing priority.

If the indigenous peoples' component is alarmingly behind schedule, in other areas virtually nothing has been done. The Environmental Secretariat (SEMA) has created a state environmental agency but it remains essentially a paper organization, with a staff of one. Neither SEMA nor the Forestry Institute (IBDF) has created any protected areas, and the studies to identify such areas remain largely undone. The system of forest monitoring and extension services ascribed to IBDF in the PAP, as well as satellite monitoring of deforestation, also remains unimplemented. Presentation of the Definitive Action Plan, originally to follow implementation of the PAP by the September of 1986 is now almost year late, and the PAP is nowhere near completion.

Work on the road itself threatens to cause a public health disaster. Grading and work on the road in several sites are leaving large depressions which accumulate standing water. This provides ideal breeding grounds for malaria, yellow fever, and dengue-bearing mosquitoes. Malaria is already on the increase in Acre, particularly in the area closest to Rondonia, where some 200,000 cases of malaria in 1986 resulted in a national public health emergency. Much of this malaria is drug resistant, and resistance is also increasing. The problem along large sections of the road could easily be resolved or mitigated by providing for adequate drainage where earth is removed for construction, but this must be done while the work is in progress.

The IDB has recognized that the rubber tappers are as vulnerable to uncontrolled migration and land speculation as is much of the indigenous population, and has noted that the plan must take their needs into account. This is a critical issue, since the rubber tappers are under pressure from cattle ranchers and land speculators who are largely responsible for the explosive rate of deforestation in the state, and who have driven thousands of rubber tappers out of the forest to secure tenuous or fraudulent land claims. Rubber tapper organizations have an alternative land use proposal, the creation of "extractive reserves" - forest areas to be managed by local rubber and Brazil nut producers resident in them. Preliminary research conducted by EDF indicates that this proposal is a more rational use of the land than the cattle ranching and annual agriculture that is replacing it. Both the World Bank and the IDB have endorsed the proposal as a viable alternative. However, paving the road is increasing land values and augmenting the speculative frenzy that is at the root of much of the deforestation and social conflict in the region, and reducing the chance to develop this promising alternative.

In sum, this project is on the verge of ecological and socio-cultural catastrophe. As of February 1987, 5 families a day were arriving in Acre over the 364 road. The IDB already bears part of the responsibility for this situation, since while the road is not yet fully paved, it is already improved, and traffic is increasing as a result. If the IDB's stated concern for the environment is not to become a cruel travesty, urgent action is necessary to demarcate the Indian lands, carry out ecological zoning, including the creation of protected areas, mitigate the public health threat posed by road construction, and see that the rubber tappers and other local populations are involved in the project. The IDB can have a significant positive effect on this project, but it will not unless it uses its leverage to make natural resource management and effective participation of local populations high priorities.

Mr. Chairman, I urge you to continue your scrutiny of this project. The issue here is one of basic accountability. The US holds 34.5% of the votes on the board of the IDB, but the Bank still seems unwilling to give the US Executive Director a satisfactory response to reasonable concerns. The organizations I represent today urge you to continue in your efforts to see that the environmental conditions on this loan and all IDB loans are implemented.

Conclusion

The national environmental groups I represent today urge this Subcommittee to continue to send the message to the MDBs that U.S. concern for the endangered natural resources, indigenous peoples and displaced rural poor in the developing world is not a passing fad. The environmental reforms at the World Bank show that this concern, and the US reform program that this Subcommittee has been so instrumental in promoting, can lead to reordering the priorities of these institutions. We ask that the Subcommittee be prepared to once again incorporate MDB environmental reform legislation in the Fiscal Year 1988 MDB appropriations legislation should efforts fail this year to incorporate these measures in the banks' authorizing legislation.

The Administration request for IDA VIII is nearly three billion dollars. This is a very large sum, and the American public deserves--and in the case of members of national environmental organizations, expects--that this money will not be used to finance the destruction of tropical forests, the forced, traumatic resettlement of hundreds of thousands of indigenous peoples without adequate compensation, and a host of other environmental and socio-cultural disasters.

That concludes my prepared statement. Thank you very much.

ANNEX A

I. World Bank - India Narmada Sardar Sarovar Dam and Singruali Coal and Power Projects

India is the largest borrower from the World Bank group, and the Bank often cites its lending programs there as an example of its successful approach to development matters. It is therefore all the more disturbing that some of the Bank's largest projects there appear to be fraught with inexcusable negligence concerning their environmental and socio-cultural impacts.

1) The Narmada River Sardar Sarovar Dam

Mr. Chairman, a World Bank program of great concern to environmental and indigenous peoples' rights groups all over the world is the Narmada River Development Program in Western India. The World Bank approved two loans totalling $450 million in May, 1985 for the Sardar Sarovar dam, the first project of this multi-project program, one of the largest integrated irrigation and dam schemes ever conceived. Another $350 million in loans is pending approval by the Bank's Board for a second major dam. The greater Narmada program envisages the construction of 30 major dams, 135 medium dams and over 3000 small dams over the next 40 to 50 years to provide irrigation and hydroelectric power to an area covering parts of four states in Western India. The entire scheme will forcibly displace more than 1.5 million human beings, mostly of tribal and minority origin, constituting 5% of India's entire tribal population. The total cost is hard to estimate, but would certainly run into the tens of billions of dollars.

The World Bank loans approved in 1985 are for the construction of the Sardar Sarovar dam and associated irrigation networks on the Narmada River, the largest westward flowing river in India. The Sardar Sarovar dam will forcibly displace over 70,000 people, mainly tribal minorities. A 210 kilometer lake will be created; there is a substantial risk of unsustainable ecological stress from the movement of the displaced people up into the hills surrounding the reservoir. These areas are already suffering from deforestation, sheet erosion and other environmental degradation caused by poor land use and population pressures.

Great concern has been raised in India and in many other countries concerning the ability of the World Bank and the affected states in India to ensure the timely preparation and implementation of a resettlement plan for over 70,000 rural poor that will be displaced by the Sardar Sarovar project. Non-governmental environmental and human rights groups are especially worried because record of neither Indian state governments nor the World Bank has been particularly good in the past in ensuring adequate resettlement and compensation measures in much smaller schemes.

Given the momentous environmental and socio-cultural impacts associated with the dam, the World Bank did try to address the issues of environment and resettlement and rehabilitation of oustees in its appraisal of the project. Indeed, with respect to resettlement the Bank insisted that the Indian state governments involved (Gujarat, Maharastra and Madhya Pradesh) prepare resettlement plans that would not leave the oustees worse off than before.

But recent developments indicate that the Bank through scanty and inadequate attention to these issues has nevertheless contributed to a massive, growing, immensely costly fiasco.

First, the Bank's Board in May, 1985 approved $450 million in loans for the Sardar Sarovar dam, when India's Department of Environment and Forests had already refused to grant Environmental Clearance of the project pending preparation of a number of extensive studies relating to environment and resettlement which the Department discovered had not been prepared. At least five major studies, relating to the most essential information necessary to go ahead with the project, had not been even completed and in some instances not initiated at the time of the World Bank's approval in May, 1985: treatment and management of the catchment area, development of the command area, plans for compensatory afforestation on the watershed of the dam and reservoir, flora and fauna inventories, study of public health impacts of the dam, and rehabilitation plans for the oustees. The state government of Madhya Pradesh recently stated that some of the requisite studies may take another three years to complete.

Refusal of Environmental Clearance by the Environment Department legally requires that construction be stopped. The consequences of beginning construction on the Sardar Sarovar dam and then halting it are resulting in an escalation of the cost of the project of over $2.5 million U.S. dollars a day, according to one Indian research organization. On the other hand, continuing construction of the dam before the requisite studies are done and environmental recommendations carried out would be sheer folly and result in even greater avoidable costs.

Of course, elements in the Indian government bear much of the responsibility for this state of affairs.

But Indian environmental groups and community organizations constantly asked me the following questions, which I hope the Subcommittee will ask the World Bank: How could the Bank approve such a massive project when so many of the studies necessary to formulate recommendations for its sustainable implementation were lacking? How could the Bank not be aware that the lack of such studies legally obliged the Environment Department to halt all construction? Why was the lack of Environmental Clearance and its consequences not made clear to the World Bank's Board when it approved the Sardar Sarovar loans two years ago?. Or did World Bank staff and management think that the Indian Government's environmental requirements in this instance were irrelevant to the Bank's appraisal and the Board's approval?

Second, the Bank's environmental assessment in the Sardar Sarovar Appraisal Report has been found by other reputable professionals to be superficial and seriously lacking in other respects. I wish to submit for the record a critical analysis of the environmental review in this Appraisal report that was prepared by a former U.S.A.I.D. environmental professional and professor at the Yale School of Forestry and Environmental Science.

Third, the resettlement plans and schedules approved by the Bank in its Appraisal Report and loan agreement for Sardar Sarovar are being flouted in almost every conceivable way. Although it might not be practical or cost effective for Bank project officers and consultants continually to visit the villages of the oustees, they could easily apprise themselves of the actual situation by talking with representatives of the voluntary and community organizations working in the Narmada River Valley and by reading their reports.

Of 231 villages that must be resettled entirely or partially, only eight in the state of Gujarat and part of a ninth in Maharastra have actually been relocated. I quote directly from a recent report of an NGO working with the villagers: "Search for land for the oustees (as per the principle of 'land for land' accepted in the Narmada Tribunal Award and World Bank Agreement) has been highly unsuccessful. For all those who are compelled to be resettled till today land offered is in many cases without title, unirrigated, scattered (compelling oustees from a single village in Gujarat to settle in four different villages) _in many cases almost uncultivable_....all the resettlement sites till today are without many basic amenities...including water supply, potable and for cattle....the standard of living of the oustees after resettlement is lower than that before--which is against the World Bank agreement."

Only one of the three separate independent monitoring and evaluation organizations that were to report on the progress of resettlement and rehabilitation in the states of Gujarat, Maharastra and Madhya Pradesh is actually functioning and sending reports to the Bank as required. The reports of the one functioning monitoring organization in Gujarat "have brought out tremendous problems faced by the oustees although there is no major action taken by the Government or by the Bank...."

Complete plans identifying resettlement lands and rehabilitation measures for the oustees are lacking in all three affected states--again, in direct contradiction of the Bank's rationale for financing the project (President's Report, Sardar Sarovar Dam and Power Project, paragraph 39)

There are numerous other problems and direct violations of Bank loan conditions concerning resettlement and rehabilitation of the the 70,000 Sardar Sarovar oustees. There have been several protest demonstrations in the area. What is most disturbing is that the way resettlement and rehabilitation is addressed in Sardar Sarovar will set a critical precedent for the treatment that over a million other rural poor in the Narmada Valley can expect.

Fourth, non-governmental organizations in India have raised serious questions about the cost benefit analyses which the Indian Government and World Bank have relied on in justifying the Narmada investments. Cost estimates of 'compensation for forest land and raising new forest plantations' prepared by the Narmada Control Authority in 1984 seriously understate the estimated cost of submerged forest prepared by the Indian Department of Environment; Indian community groups assert that the costs of rehabilitation of the oustees have been grossly understated, as well as the costs of dealing with the public health problems associated with the reservoir. Finally, the rising cost escalation of the whole project resulting from the delay in preparing the necessary environmental studies and the withholding of clearance by the Environment Ministry is another factor which is making the previous cost benefit analyses obsolete.

The concern over the true costs of Narmada to India's environment and society was crystallized in a letter sent earlier this year to Prime Minister Rajeev Gandhi by six of India's leading scientists and environmentalists. They expressed their fears that unless further in depth studies were carried out and construction halted "an ecological disaster of the greatest magnitude...might overtake us in the Narmada Valley...." I have submitted a copy of this letter for the record.

Mr. Chairman, it is evident that there are numerous problems in this project, all of which point to escalating costs and gross underestimation of critical ecological and socio-cultural problems associated with the Sardar Sarovar dam.

The national environmental organizations I represent today think only a complete reappraisal by the World Bank of the project can justified its continued participation in a scheme so fraught with risks.

I have attached for the record several documents and newspaper articles from India, documenting the growing concern in India and elsewhere over the impacts of the Sardar Sarovar dam.

2) The Singrauli Power and Coal Mining Projects

Last year I asked a number of environmental and community action organizations in Delhi what was the worst World Bank financed project in India. Their unanimous reply was Singrauli. Representatives of some of these groups accompanied me on a three day visit to the Singrauli area this February to substantiate their claims. In terms of outright negligence of environmental and social impacts, they are right.

The Singrauli area lies on the border of Madhya Pradesh and Uttar Pradesh states, about 80 miles south of Varanasi (Benares) and 500 miles west of Calcutta. Only 25 years ago it consisted of prime tropical forest habitat--rich in tigers, wild boar, deer and a host of other animals, I was told. The area is on the highly fertile Gangetic plain and it once supported--quite well by rural standards in India--over 300,000 indigenous inhabitants, mainly of tribal, low caste and outcaste origin, who led a life of traditional agricultural subsistence.

A dam (the Rihand project) was built in the early '60s that created a large reservoir and displaced about 300,000 people without adequate compensation. In subsequent years huge coal deposits were developed (there are now 11 open pit coal mines, including the largest in Asia). The Indian government decided to exploit the close proximity of the coal deposits and of potential cooling water from the Rihand reservoir to construct a series of coal fired, water cooled super thermal electric generating plants. Accompanying this development has been the installation of energy intensive industries such as an aluminum smelter, cement plant, chemical plant etc.

The World Bank has committed $850 million since 1977 to help finance the development of the Singrauli region: two IDA credits of $150 million and $300 million were approved in 1977 and 1980 for the construction of the Singrauli Super Thermal Plant; another IDA credit was approved in 1984 for the development of the Dudhichua coal mine, and an IBRD loan of $250 million was approved in 1985 to build transmission lines from Singrauli to Delhi and the national grid.

The problem with Singrauli is very simple, and horrifying to see in person: 200,000 to 300,000 of the rural poor have been subject to forced relocation twice, three times, in some cases four or five times in 25 years, each time with little or no compensation. Their livelihood was the land, which has now been totally destroyed and resembles scenes out of the lower circles of Dante's Inferno. Enormous amounts of dust and air and water pollution of every conceivable sort have created tremendous public health problems. Tuberculosis is rampant, potable water supplies have been destroyed, and chloroquine resistant malaria afflicts the area.

The people of Singrauli are at the margins of Indian society, so they had no place to go and were relatively powerless in fighting for their rights. So most of them simply stayed.

Many now live in unspeakable hovels and shacks on the edges of the huge infrastructure projects in the area, including the Bank financed power plant and coal mine. Some are living inside the open pit coal mines. Their agricultural subsistence destroyed, over 70,000 of them are intermittently employed as contract laborers in the coal mines, construction sites, and power plants in the area for a salary of about 8--11 rupees for a ten to twelve hour day: 61 to 85 cents, which is below a survival wage even in India.

Most of the people in the Singrauli area are not poor people who have moved to Singrauli because of the development of the area; they are people who once had villages, well water, schools, livestock, and fertile agricultural fields who have been reduced to a state of absolute destitution.

They are truly 'development refugees."

Up to now, World Bank financing of Singrauli has played a significant role in contributing to this nightmarish scenario; the forced relocation caused by the Bank financed power plant and coal mine, as well as the appalling human environmental and public health conditions to which these and other oustees are subjected to have been completely ignored by the Bank in its appraisal documents for these projects.

The Bank financed projects have forcibly displaced approximately 23,000 people (20,000 from the site and environs of the Singrauli Super Thermal Plant and 3,000 from the Dudhichua Coal Mine); I visited the resettlement sites of these oustees and they bitterly complained about the inadequate or non-existent compensation they had received. Thousands of contract laborers are toiling in construction activities associated with the Bank financed projects, again under the most appalling health and labor conditions.

The environmental management of the Bank financed power plant and coal mine themselves is gravely deficient: the cooling channel for the power plant has never functioned properly and 60% of the water flows out through a rupture in its walls periodically flooding the land of an adjacent village; human settlements exist right on the edge of the plant's ash dumps; overburden from the coal mine is actually being dumped on the grazing land of a tribal village, menacing the houses of the inhabitants, who refuse to leave because the Bank financed coal company will not offer them compensation.

Incredibly, only last year--ten years after the Bank had appraised its first loan of what would become a $850 million commitment--World Bank staff visited the area to discuss the preparation of an environmental assessment of the impacts of its projects, as well as of the environmental problems in the greater Singrauli area.

One might reply that at least, at last, an assessment is being done. In India I was able to review the terms of reference for this assessment which have been prepared and agreed upon by the World Bank and the executing agency for the power plants in the area, the National Thermal Power Company. These terms of reference are seriously deficient in that they lack specificity and do not address, nor appear to be aware of, many of the more serious health, environmental and social problems that are widespread in the region as a result of forced relocation, deforestation and manifold pollution. The major issue which is ignored in the Bank's appraisal documents and not clearly identified in the terms of reference of the environmental assessment is the progressive deterioration of the human environment and human ecology of the region.

Most disturbing of all, the Bank has prepared a short list of six large international electric utilities and engineering firms as candidates to prepare the assessment; these companies are based in France, Canada, Australia, the United Kingdom and the United States. The lack of direct involvement and of a major role for several Indian environmental and community groups, that have been working in the area and with the local populations for years, is shocking. In fact one of these groups, Lokayan, published last year a whole book in Hindi on the environmental and socio-cultural impacts of Singrauli, called "The Cost of Development" (Vikas ki Keemat)--the only such study that has been conducted to date.

It is imperative that the World Bank immediately undertake measures to address the most grievous problems that its ten year involvement in Singrauli have caused. Of particular urgency is the question of the adequate compensation and rehabilitation of the oustees ejected from its project sites, and the environmental, public health and labor conditions affecting the contract laborers directly involved in these projects. There are numerous other problems related to environmental mismanagement in the power plant and coal field that need remedying. The Bank could begin to finance these measures out of the large amounts of funds that remain undisbursed for the Second Singrauli Power Loan and for the Dudhichua Coal Field.

It is also urgent that the terms of reference for the proposed environmental assessment be reviewed and changed in consultation with Indian environmental groups and community organizations familiar with Singrauli, so that the assessment's scope will accurately address the enormous human environmental problems in the area. And it is urgent that these non-governmental environmental and community groups play a key role in the preparation of the assessment, which must not be left exclusively under the direction of huge electric utilities or engineering companies in Northern Europe or North America.

II. World Bank - Amazonas Agricultural Development; CAIMAN Sugar Alcohol Distillery; International Finance Corporation COBRAPE Agroindustrial Project

1) Amazonas Agricultural Development

In the Amazonas Agricultural Development Project, a Bank-financed oil-palm firm, EMADE (Empresa Amazonense de Dende), built a road in 1982 through the Cocama indigenous reserve, in blatant disregard of Indian land rights. The road destroyed valuable Brazil nut trees in the process. This directly violates the Bank's indigenous peoples policy. Local researchers and Catholic Church groups point out that the invasion of the reserve, and subsequent installation of the oil palm processing facility on the edge of the Indian village had the effect of disrupting the community. The community's attempts to obtain redress for the damage suffered from the company were unsuccessful. It is remarkable that Bank staff were unaware of the problem, indeed, unaware that there are Indians in the project area, since the reserve has been recognized by the National Indian Foundation since 1982. The Bank's Vice President for Operations Policy has recently informed us that the Bank will ensure that any compensation due the community is paid. If the Bank had sufficient anthropologically trained staff in its regional offices, it probably would be unnecessary to deal with such problems at the Vice Presidential level.

The Bank sent a consultant in June 1987 to investigate the situation, and it is reported that an agreement was reached that will result in EMADE paying compensation to the Cocama.

2) COBRAPE Agroindustrial

COBRAPE, Companhia Brasileira Agropecuaria, an agriculture and cattle company located in the municipality of Formoso de Araguaia, Goias state, has received some $5 million from the International Finance Corporation, (IFC) since 1982. The IFC is a stockholder in the company. Within the 57,000 hectare area claimed by the company live more than than 100 rural families, some of whom have farmed these lands for more than 30 years, and who under Brazilian legislation have legal claim to the land, although they do not have title to it. Since 1982, church and lay groups, elected officials, and the local bishop, have documented gross violations of the land rights of families in the area. The company has destroyed houses, crops, fences, and other improvements to the land with tractors and employed gunmen to threaten or evict local families. The Ministry of Land Reform and Development has recognized the residents' claims as entirely legitimate. This loan obviously involves glaring violations of the Bank's resettlement policy, which is based on the premise that resettlement is acceptable in bank-financed projects only where unavoidable, and must be carried out so that the situation of the oustees is better than or at least no worse after resettlement than it was before.

The situation was brought to the attention of the IFC almost a year ago, and the IFC made inquiries. But only in January 1987, after public protest in the US, initiated by a nongovernmental organization, the Resource Center for Non-Violence, did the IFC meet with COBRAPE representatives and government officials to attempt to arrange a settlement. Although this is clearly preferable to ignoring the situation, the Bank's resettlement policy also maintains that local communities are to be informed of plans and participate in negotiations that affect them. This has still not occurred, and the project continues to disregard the Bank's own policies. On April 3, 1987, indictments against six of the directors of COBRAPE were handed down by a federal judge in Gurupi, Goias.

3) CAIMAN

The CAIMAN (Companhia Agroindustrial Maranhense) sugar cane-alcohol distillery, in the area of Palmeirinha, near Porto Franco, Maranhao, Brazil, in 1986 received an $8 million loan from the Central Bank, under the World Bank's sugar cane alcohol development program. The CAIMAN project has clearly contributed to worsening social tension in the region. According to documentation prepared by the Rural Union of Porto Franco, as well as journalists' reports, the owners of CAIMAN have grossly abused the legal land rights of local residents in the process of implanting the project. The area occupied by CAIMAN since 1985 has been the site of violent expulsions of the rural poor since 1973. It is altogether likely that the Bank-financed company bought the land for its project from landholders who had obtained their land titles through force or fraud, i.e., illegally.

Detailed documentation compiled by the Rural Union affirms that CAIMAN itself has used tractors, protected by hired gunmen and at times by local police to wreck smallholders' and occupants' gardens, fruit trees and buildings, as well as to destroy stands of the economically crucial babacu palm. Indiscriminate deforestation is also illegal, but the government agency responsible for policing violations of the Forest Code, the Institute for Forestry Development (IBDF) has taken no action despite complaints and correspondence from the local groups. The company has attempted to undercut the subsistence of local families through destruction of babacu on a large scale and by closing roads that give access to gardens. Police and private armed force have been used to threaten and intimidate families of occupants into leaving their lands. The company has attempted to prohibit journalists from entering the area. Families evicted have become day laborers for CAIMAN, at wages of about $2.00 a day. At least six legal actions on behalf of the local communities are pending in Porto Franco, indicating that the company's claim to the land is at the very least debatable. The Bank, after receiving various letters and inquiries concerning the project, investigated the situation, and it is reported that a Bank consultant who visited the area recommends that the Bank hire an attorney to sort out the complex issues relating to land title and help negotiate compensation. The situation is dismaying, since by all indications Bank funds are supporting a company directly engaged in the destruction of valuable natural resources and forced displacement and impoverishment of the local population. The Bank should immediately review the other 67 projects that have received financing under the alcohol program, since many of them are in regions of endemic land conflict and are liable to suffer similar problems.

ANNEX B

Environmental and Social Problems in the Karnataka Social Forestry Project

Plagued by controversy since its inception, the World Bank/ODA funded social forestry project in the State of Karnataka is a prime example of the problems occurring in Bank funded social forestry projects. Although eighteen months have passed since the World Bank's own Midterm Review of Karnataka in January 1986 revealed many of the projects's problems, few of these shortcomings have been adequately addressed, and many suggested reforms have not been implemented.

We believe, moreover, that the problems in the project are the result not only of deficiencies in its implementation, but are also the consequence of fundamental contradictions between its stated objectives and principles and its design. Paragraph 3.01 of the Karnataka Social Forestry Appraisal Report states that the primary objective of the project is to increase supplies of fuelwood for rural and semi-urban areas and that secondary objectives include provision of fodder, small timber, fruit, bamboo for cottage industry, and other minor forest and agricultural products.

Similarly, paragraph 3.03 sets out a number of principles to guide the implementation of the project, including avoiding planting of trees on lands with a potential for subsistence foodcrops; encouraging intercropping trees with food crops, an emphasis on communal participation and employment opportunities for the rural poor, and a commitment to make project output available first to local needs, with a priority on distribution to the rural landless and other disadvantaged sectors of local populations. But 81% of the planting in the original project design was targeted for private farm forestry, of which in turn the Appraisal Report estimated 92% would consist of eucalyptus.

At the time of the project appraisal there was already abundant evidence that this predominant focus on encouraging private eucalyptus plantations directly contradicted many of the project objectives and principles. In fact, the Appraisal Report explicitly acknowledged this contradiction in paragraph 3.30, noting that eucalyptus trees "do not lend themselves well to intercropping, are competitive, consume large volumes of water, have no value as fodder, and, because of its value as an industrial raw material, part of the produce may not reach the firewood market."

In Karnataka, a large part of the rural population depends on lands now being replaced by eucalyptus monocultures for basic needs of fodder, fuel, fibre (thatching, cottage handicrafts), food and fertilizer on readily accessible biomass from indigenous trees and shrubs, and crop residus. ("On Biomass Budgets," Prof. Madhav Gadgil, Prasad Memorial Lecture, 40th Annual Conference of the Indian Society of Agricultural Statistics, December 4, 1986) A more comprehensive study by Dr. N.S. Jodha of ICRISAT, Hyderabad ("Common Property Resources and Rural Poor in Dry Regions of India", Economic and Political Weekly, vol. XXI, No. 27, July 5, 1986) examined the role of biomass production for in basic economic needs and consumption patterns of over 80 villages in in 21 districts in 7 Indian states. This study concluded that in Karnataka, for example, 100% of poor families depended substantially on common property biomass for needs of fodder, fuel and fibre, and 84% for food. The study attempted to calculate the monetary value of only a part of the biomass used by the poor from common property resources (product collection and animal husbandry) and calculated values ranging between 530 and 830 ruppees per family, depending on the district. According to the Jodha study, even these figures, which greatly understate the probable full valuation of the unmonetized economic services provided by rural ecosystems, are higher than the income generated than a number of government supported anti-poverty programs in similar areas.

Another study in six volumes recently completed by the Indian Law Institute in New Delhi has concluded that social forestry schemes all over

India, including those financed by the World Bank, have failed due to the goals of such projects being contradicted by inappropriate forestry laws and practices. This report emphasizes that existing forestry laws in India create legal obstacles to participation by local communities, a primary obstacle being that Forestry Departments control much of the land creating obstacles to direct harvesting or selling of trees and other biomass by local groups.

Predictably, the widespread cultivation of eucalyptus in the Karnataka Social Forestry Project has resulted in a number of adverse environmental and social impacts, (some of which were recognized in the Midterm Review) that profoundly undermine its stated objectives and principles. These impacts include:

o The destruction of valuable agricultural land, through widespread conversion of subsistence foodcrop lands to treecrop plantations for industrial uses, with little produce being sold or used for fuelwood, and even less for fodder, small timber and other local uses;

o increasing hardship caused to small farmers, whose lands and food productivity are adversely affected by surrounding larger eucalyptus farms;

o increasing hardship to the rural poor and landless, whose needs of fodder and fuel have not been satisfied, and whose access to land is diminishing through the transfer of C & D class lands and gomal lands they have used for years, to paper and rayon industries;

o destruction of existing ecosystems, including loss of fertility of agricultural lands;

o increasing pressure on existing forests.

A February 1987 Report entitled "Social Forestry in Karnataka, An Impact Analysis" by D.M. Chandrashekhar, B.V. Krishna Murti, S.R. Ramaswamy, (Hereinafter "Chandrashekhar Report") (Appendix I) has revealed that the Karnataka State Government and KSFD are continuing to promote eucalyptus cultivation by large farmers and that the Kartnataka social forestry scheme has contributed to the massive destruction of valuable agricultural lands. The Chandrashekhar Report estimated that farm forestry (planting of trees on private farm lands) in Karnataka from 1976-81 converted over 100,000 hectares of farmers foodcrop land to dense eucalyptus plantations, even before the World Bank/ODA project began. If the World Bank/ODA Project (1983-88) continues without reform, the report indicated that by 1988, the Karnataka Government and KSFD will have been instrumental in destroying over 220,000 hectares of foodcrop land. This is in addition to the 500,000 hectares of government land already destroyed through eucalytus monoculture.

Although the World Bank Midterm Review recognized the need to reduce the emphasis on eucalytpus and the Karnataka Government has recently announced that it will "considerably reduce" the percentage of eucalpytus planted under the Bank-financed social forestry project (see Appendix II) there is evidence that even marginal farmers are now being encouraged by the KSFD to convert their lands. Small and marginal farmers who were meant to be beneficiaries of the project are instead facing increasing hardship as a result of eucalyptus cultivation. This is particularly disturbing in light of the fact that in its Appraisal Report, recognizing the drawbacks of eucalyptus in farm forestry the Bank recommended that the KSFD: 1.) adequately publicize the drawbacks of conversion to eucalyptus; 2.) research more suitable alternatives for farm forestry, and 3.) closely monitor the social, economic, and agronomic effects of large scale afforestation with eucalyptus. (Appraisal Report, para. 3.30)

The Chandrashekhar Report also revealed that small farmers in the Kolar, Bangalore, and Tumkar Districts with holdings of less than five acres who were surrounded by larger eucalyptus farmers were adversely affected through the lateral spreading of eucalpytus roots which sucked the surface moisture and soil nutrients, ultimately diminishing the yield of neighboring crops. The reduction of already low levels of crop yields has caused severe hardship to small farmers, who cultivate foodcrops under rainfed conditions, usually to meet the requirements of their own families. Because of the affect on their food productivity, these farmers are increasingly driven to abandon foodcrop cultivation and plant eucalpytus. The report revealed that small farmers are not converting to eucalyptus out of choice, but out of helplessness.

Moreover, at a recent symposium on the Forestry Policy of the Karnataka Government, organized by the Karnataka Farmers Association on January 27, 1987, over 400 farmer delegates from all over Karnataka unanimously rejected the further systematic promotion of eucalyptus and other fast growing species by the KSFD which, they maintain, only serves the interests of the paper and pulp industries. The delegates also concluded that eucalyptus is especially not useful to small and marginal farmers.

The Bank's Mid-Term Review acknowledged that addressing the needs of the rural poor and landless for fodder, fuel and small timber should have received more priority as an equally important objective in the Karnataka project. In the original project design this objective was to be accomplished mainly through establishing Block Plantations (plantations on gomal and C & D class lands) which comprised 15% of the total planting program. This component of the project was also seen as a way to involve local communities. The Midterm review revealed that these objectives had not been satisfactorily achieved.

The Review stated:

"Too much emphasis was placed on physical planting targets. These should have been balanced by recognizing two equally important objectives:

(a) that the planting program had to be directed at meeting the forestry needs of the rural and semi-urban poor;

(b) that the capability of the KSFD, in collaboration with other agencies, had to be built up to enable it to meet the above needs."

To date, neither of these recommendations have been adequately implemented. Concerning the first objective, the success of block plantations is still questionable due to the fact that the poor and landless have little access to or control of land. Many communities have not been adequately consulted in the design of block plantations, and information about implementation of this component is not available to them. While we realize that some advancements have been made in the planting of more varied tree species which would provide fodder and fuel, the poor and landless cannot benefit from it because they have no direct control over the trees, and cannot harvest the produce. Oxfam has been recommending the concept of a Tree Tenure System whereby the poor would be given title to the trees grown on wasteland. The Bank's Midterm Review also listed tree tenure and group farm forestry as viable options for involving the poor and landless. In addition to these reforms, the Federation of Voluntary Organizations for Rural Development in Karnataka (FEVORD) has recommended land tenure, whereby wastelands would be leased to groups of the landless poor. We support the above recommendations, and suggest that the Bank promote consultation with FEVORD and other local organizations on their design and implementation.

Moreover, in the farm forestry component, there is still a need for greater involvement of the rural poor in decentralized people's nurseries ("Kissan Nurseries"), preferably through local organizations. We realize that some positive advancements have been made in allowing the poor to set up small nurseries and earn income through raising sapplings for farm forestry, but all aspects of the program should be more oriented toward allowing the poor to raise their own sapplings of varied species. This could be accomplished by decentralizing all nurseries, by promoting smaller nurseries of 5,000 sapplings (the current size is 25,000), and by establishing a link between the raising of sapplings and access to wasteland. Instead of raising sapplings for farm forestry, the poor should be able to raise their own sapplings and later plant them on wastelands where they have tree tenure or land tenure.

The number and type of sapplings distributed is also a matter of concern to local NGOs in Karnataka. According to two member organizations of FEVORD--Gram Vikas in Kolar and the Indian Development Service in Dharwad-the number of sapplings given to the poor has been drastically reduced this year. Also, Womens' groups in Kolar are concerned that the KSFD has imposed the requirement that a certain percent (40% last year) of sapplings in decentralized nurseries under the World Bank/ODA project have to be eucalyptus. Since the poor are willing to raise sapplings, distribution to them should be increased. FEVORD has requested that five million sapplings of varied species be made available, but the KSFD has been slow to respond.

If the forestry needs of the poor and landless are to be met, it is essential that wastelands be made available to them and that their usufruct rights to the wasteland be established through land tenure and/or tree tenure. Instead, wastelands (C & D class lands) all over Karnataka are being transfered by the Government and KSFD to pulp-based industries for cultivation of eucalpytus and other fast growing, non-browsable species. The situation of the poor and landless has been tragically exacerbated through the transfer of government-owned C & D class lands, which they have been using for basic needs, to the KSFD which has favored pulp-based industries. Ironically, many of the lands which are being classified as "unfit for agriculture" and "wastelands" and thereafter transfered to KSFD are lands which are actually rich in native tree species and have provided fodder and fuel for the poor (See Appendix III and see Chandrashekhar Report, pp. 24-25) While we realize the Bank does not have direct control over these transfers, we wish to emphasize it because it serves to underscore the unsuitability of the Forestry Department as the primary implementing agency of the project.

The Bank's Midterm Review found that the KSFD needed to increase its capability to allow it to promote a program which was more directed at meeting the forestry needs of the poor. The Mission recommended, inter alia: 1) the addition of staff in the areas of monitoring and evaluation, training, and research; 2) initiatives to ameliorate the social impacts of the project, including negotiating agreements with Panchayats, further involvement of local communities and landless, creation of extention posts, and micro-planning.

Today, the KSFD still remains an institution which has catered to the needs of industry, and which seems intent on continuing to promote the widespread cultivation of eucalyptus and other fast growing, socially inappropriate species. Known by many communities as a policing force for keeping people out of the forests, the KSFD has demonstrated its bias many times over by aiding large paper and rayon industries through promotion of eucalyptus plantations on C & D class lands. Local NGOs, including FEVORD and Oxfam program officers in Karnataka have expressed serious concern that this bias is in direct conflict with its ability to promote true social forestry. Even the National Wastelands Development Board has recently indicated that Forestry Departments are not appropriate institutions for implementing social forestry schemes.

The legal distinctions between lands that are classified as government-owned C & D land and similar lands which are allocated for community use do not apply to communities in practice, because villagers use any land which is not being actively used for farming or farm forestry as common land. Because of this, transfers of government-owned land to industries such as Karnataka Pulpwood Limited and Harihar Polyfibres only results in diminished community access and prosperity.

This type of transfer has recently evolved into a nationally publicized controversy, where community organizations in Karnataka filed a law suit to stop the transfer of 75,000 acres of government-owned C & D class lands to Karnataka Pulpwood limited. On March 25, 1987, The Indian Supreme Court issued a stay order to prevent the Karnataka Government from transfering the land. This stay order prevented further action by the Government for three weeks until an assessment of the social and environmental costs in Shimiga, Chickmaglur, Dharwad and Belgaum districts could be assessed. To date, the assessment has not been made. (See Appendix III)

Grazing land (Gomal lands) which have been used for years by communities for draft animals, milch cows, buffalos, sheep and goats are also gradually becoming unavailable because of transfers to pulp and paper industries for eucalyptus plantations. According to the Chandrashekhar Report these lands are labelled as unfit for agriculture and classified as C & D lands, then handed over to the KSFD to increase land under vegetation. Inevitably, KSFD land transfers are always to industry. In 1986, it was reported that 60% of dryland in the Kolar district and 40% in the Bangalore district had been converted to eucalpytus plantations, replacing traditional ragi growing. Ironically, the conversion of grazing lands has contributed greatly to the decreasing availability of fodder, one of the shortages the Bank-financed project was intended to overcome. These transfers are major factors in the continuing deterioration of the situation of the poor and in undermining the ecological stability and carrying capacity of large areas of rural Karnataka. The Bank's project, rather than ameliorating this situation is worsening it still farther through its financing and reinforcement of the pro-eucalyptus, industrial use bias of the KSFD.

The World Bank should request a performance review of the KSFD in consultation with local NGOs to determine which of the Midterm Recommendations need further implementation, and whether a proper mechanism for involvement of local communities and representatives of the landless is being established in all districts. The project was originally to be implemented through the village panchayats. This has not occurred because the panchayat system in Karnataka has not been operating for three years. Some NGO groups doubt whether the panchayats are the proper channel for implementation, since they are usually comprised of landed elites, who are unconcerned with the needs of the landless poor.

Ultimately, the KSFD should be phased out as the primary implementing agency of social forestry in Karnataka, and instead should serve the role of helping the poor and landless through extension, motivation, research and development. A multidisciplinary approach to social forestry in Karnataka needs to be developed in order for the project's objectives to be realized and to ensure that the project is ecologically sound. To accomplish this, the Bank should promote the integration of other government agencies into the project including: the Departments of Agriculture, Animal Husbandry, Revenue, and Environment and Ecology. A good example where this approach is already being successfully applied is the Dryland Development Board, which has been set up by the Indian Government for 19 selected watersheds in 19 districts. NGOs also need to be integrated into all aspects of social forestry. The Bank should also encourage the integration of the recently formed five District Committees on Social Forestry and Wastelands Development in the planning, implementation and monitoring of the project.

The World Bank and the Karnataka Government have systematically and gravely underestimated the adverse environmental and social consequences of expansive eucalpytus cultivation. There is increasing evidence that the widespread conversion of agricultural lands, grazing lands and forested C & D class lands to eucalyptus plantations is ecologically unsound and contributes to pressure on existing forests. Research documented in several sources (see Appendix IV) indicates that eucalpytus is not a self-sustaining system of vegetation in a rainfed farm ecosystem, because it acts as a drain and not a source of moisture and nutrients and over the long term it will leave the soil incapable of supporting foodcrops. In a dryland ecosystem, it also acts as an ecological destabilizer, and some reports indicate it contributes to desertification.

In the Bank's Appraisal, one of the environmental benefits of the project was that the increased availability of forest produce generated by the project would relieve pressure on "traditional forests" and help to reduce their depletion. In reality, there is evidence that the Bank's project is contributing to increasing pressure on natural forests. If the poor and landless are continually deprived of the use of community land, and their needs are not being satisfied through Bank-funded social forestry as originally planned, then pressure to collect firewood from existing forests will continue. Moreover, conversion of agricultural lands to eucalpytus plantations may eventually lead to pressure to release more forests for foodcrop cultivation.

In correspondence with NGOs, the Bank has consistently underplayed the adverse affects of eucalyptus by stating that there is no conclusive evidence of these effects. The evidence is certainly conclusive enough for many small farmers and the voluntary organizations that represent them in Karnataka, who increasingly have been driven to vociferous public protests concerning the adverse effects of eucalyptus. But even if one were to accept the proposition that the evidence is not conclusive, it is sufficiently troubling so that the Bank should not be supporting projects which promote widespread eucalyptus cultivation until there is conclusive evidence that planting of eucalyptus would not have adverse environmental and social impacts in a given locality and project area. Can the Bank really afford to repeat its previous mistakes in ignoring growing evidence and international criticism of ecologically unsound projects until the damages from such projects become irreversible?

The Bank has used an economic justification to support its financing of eucalpytus plantations. We question the completeness of this economic analysis; it appears to be short term and excludes critically important ecological, social and temporal cost externalities as well as the true cost of government subsidization of eucalyptus through free distribution of seedlings and extension of farm credit to the exclusion of other species and crops. Experience has shown that environmental problems will surface over the long term, and when corrective measures become unavoidable, their cost is often many times what the original investment would have been to avoid them. In a recent letter to a Washington based NGO, John Spears, Senior Forestry Advisor at the Bank, acknowledged that

> "It is undeniable that in some situations the tree [eucalpytus] is planted in the wrong place, with obviously negative results. The key to its more effective use lies in greater awareness of its advantages and disadvantages, better planning and supervision of projects which use eucalpytus."

Gravely flawed planning and inadequate supervision have plagued the Bank financed Karnataka Social Forestry Project. This loan of more than $25 million will bear adverse economic, social and ecological impacts unless the Bank implements in it substantial reforms. The problems in this project also raise disturbing questions about other ongoing and planned Bank financed forestry projects in India and elsewhere, which in many instances have similarities in species choice and design. If the Bank plans to double its forestry lending, it will be a tragedy if a substantial number of projects promote ecological and social deterioration, rather than environmental enhancement and sustainable growth.

In your speech at the World Resources Institute last May 5th you also stated that increased forestry investments must be accompanied by policy measures designed to ensure sustainablility. The long term sustainablility of eucalyptus in many areas where it is currently planted not only has not been established, it is increasingly questioned. Therefore, we urge the Bank in all future forestry projects where use of eucalpytus and other fast growing non-browsable species is being considered, to first establish the local sustainability of such species through ecological and social impact research. Non-governmental organizations and local community groups are indispensible sources of such site specific information in many Bank borrowing countries, and especially in India. We urge the Bank as a matter of policy to systematically involve such organizations in the identification and planning of forestry projects. It is imperative that the Bank not finance components of forestry projects that have not been proven to be sustainable in the long term.

We urge the World Bank to promote the following reforms in the Karnataka Social Forestry Project:

1) Local communities and nongovernmental organizations must be systematically involved in changing the design and implementation of the project, including the following measures:

a) design and implementation of tree tenure and wasteland tenure systems to ensure access to wastelands and trees by the rural poor and landless for the fulfillment of their basic needs of fodder, fuel, fruit and small timber;

b) dentralizing existing nurseries from the control of the Forestry Department and promoting the creation of smaller (5000 seedling) kissan nurseries for the poor, linking the availability for the poor of wastelands for the planting of sapplings from these nurseries once they are grown;

c) increased distribution of sapplings of varied species to be raised by the poor;

d) on-going evaluation of the ecological consequences of the project, and of its economic and social impacts on small and marginal farmers and local communities;

2) Reforestation of wastelands should be reoriented toward appropriate species as determined through the expressed needs of the rural poor and local communities;

3) the KSFD must increase its capacity through institutional development to help the rural poor and landless through extension, planning, and research and development, including creating a mechanism for consulting with NGOs;

4) the KSFD should be phased out as the primary implementing agency of social forestry in Karnataka, to be replaced by an integrated, multi-disciplinary approach involving other Government agencies including Agriculture, Animal Husbandry, Revenue, and the Department of Environment and Ecology.

5) The World Bank should not finance projects that contribute to the widespread cultivation of plantations of eucalpytus or any other fast growing, non-browsable species in Karnataka, in India, or anywhere else until it can prove that cultivation of such species is environmentally sound for the specific locality in question and is socially beneficial rather than perverse in its impacts on the most disadvantaged populations.

ANNEX C

ENVIRONMENTAL DEFENSE FUND

July 8, 1987

Barber Conable
President
World Bank
1818 H St. N.W.
Washington D.C. 20433

Dear Mr. Conable,

We are writing to express our serious concern over recent developments in the area of influence of the Bank financed Carajas Iron Ore Project in the states of Para and Maranhao, Brazil. We are gravely alarmed by news of the construction and planned construction of charcoal-fired pig iron smelters and other industrial projects in the Bank project area. These projects will entail disastrous environmental and social consequences. We are also greatly concerned by systematic violations of forest reserves and Indian lands in the Project area, including widespread, illegal invasions by squatters and industry, and by the illegal granting of authorizations for mineral research and mining in numerous Indian areas. Of particular international concern is the plight of the Guaja Indians, a highly vulnerable group in the Bank Project area that is threatened with extinction if prompt measures to demarcate and protect their lands are not taken.

In August, 1982, the Bank agreed to loan the Companhia Vale do Rio Doce (CVRD), a Brazilian state mining company, $304,500,000 for the construction and start-up of iron ore mining and processing, for construction of an 890 km. railroad from the Carajas mine in Para to Ponta da Madeira, Maranhao as well as for construction of a deepwater port at Ponta da Madeira.

Section 3.10 of the Loan Agreement for this project stipulates that "the Borrower shall take all action, as shall be required to ensure that the execution and operation of the Project are carried out with due regard to ecological and environmental factors...". The area of influence of the project is defined as the area included in a radius of 100 km. from the iron mine and the railroad.

The Greater Carajas Program, which is not financed by the Bank, has over the last several years approved a number of pig iron smelting and other projects in the area of influence of the Bank's Carajas Iron Ore Project, that would use wood-derived charcoal for fuel. These projects, if allowed to proceed as planned, will result in catastrophic deforestation, destruction of natural resources, and degradation of the already poor quality of life of the residents of Maraba and other regional centers. There is an overwhelming probability that these projects will also result in the devastation of the natural resource base of the indigenous communities of the region, whose interests the Bank has tried to protect in the Special Project for the Amerindian populations associated with the Carajas Iron Ore Project.

The Interministerial Council for the Greater Carajas Program of the Brazilian Government approved eleven industrial projects using wood-derived charcoal by 1986, specifically, nine pig iron smelters and two cement factories. At least five pig iron projects, one in the industrial district of Maraba, and four in Pequia, outside of Acailandia, are under construction. The council is analyzing an additional four such projects, and another ten requests for approval are pending. These projects have been protested by the scientific and environmental communities in Brazil, as well as by local government officials. The first eleven projects alone would require 1.1 million tons of charcoal per year, signifying an increase in charcoal production of 1,300% for the Carajas region in a very short timespan.

The National Environmental Council (CONAMA) resolution number 001 of January 23, 1986, in article 2, states that activities that modify the environment depend on the presentation of an environmental impact statement (RIMA) to the Environmental Secretariat (SEMA) and relevant state agencies for licensing. Paragraphs XII, XIV, and XVI of Article 2, which list examples of kinds of relevant activities, clearly apply to the charcoal-burning industrial projects approved by the Greater Carajas Program. Nonetheless, evidence indicates that government planners ignore the environmental effects of these projects, violating the intent if not the letter of resolution 001. For example, a draft of the decision by the Executive Secretariat of the Interministerial Council of the Greater Carajas Program to approve a tax exempt pig iron project proposed by SIMARA (case number 417/86), has a blank page under the heading "environmental impacts", although the Secretariat's decision to approve the project is clear. (see annex 1)

Since these pig iron projects are located within the area of influence of the World Bank project, we wish to know whether the Bank is aware of the gravity of their prospective environmental impacts, and whether the Bank is monitoring and reviewing the situation in cooperation with the Brazilian authorities to ensure that Section 3.10 of the Loan Agreement is enforced. In particular, we wish to know whether the Bank has ascertained whether the legally required environmental impact statements (RIMAs) have been, or are being prepared for these projects.

Already, two agencies of the Brazilian government, SUDAM and the Barcarena Development Company (CODEBAR) have prepared for the Interministerial Council of the Greater Carajas Program a detailed study which indicates the predictable results of the increased demand for charcoal that will result from the projects. "There is no doubt that once construction on the smelters has begun, an army of charcoal makers will advance and take the areas closest to the industrial districts by assault." ("Problematica do Carvao Vegetal na Area do Programa Grande Carajas", SUDAM/CODEBAR, Belem, maio de 1986: p.55) Citing examples of immediate relevance, i.e., Minas Gerais and Maranhao, the report predicts that charcoal production will contribute to opening of densely forested areas for cattle ranching, which will in turn increase degraded and abandoned pastures and augment the violent social conflicts between landless peasants and ranchers already acute in the region.

Industries may invest in reforestation to satisfy legal requirements to do so, but this will not reduce deforestation. If 20 projects are approved and are to be supplied from eucalyptus plantations, some 2.6 million hectares of industrial forest would have to be planted per year. (Fearnside, P.M., 1987, "Jari aos dezoito anos: Licoes para os planos silviculturais em Carajas." Homen e Natureza na Amazonia, G. Kohlepp & A. Schrader eds., Tubinger Geographische Studien 95.) But given "an army" of impoverished woodcutters and charcoal makers in the region seeking income, as well as a lower cost of production for charcoal from densely forested areas than for other areas, it is clear that virgin forest will provide the charcoal. Small scale charcoal makers, at the mercy of intermediaries, will remain impoverished as the areas they exploit are converted to cattle pasture, adding to the expanses of degraded, unproductive lands in the region and perpetuating poverty and land conflict.

The SUDAM/CODEBAR study recommends fixing a high initial price for charcoal to stimulate production and ensure an adequate supply for industry. To stabilize prices once initial demand is met,the study proposes charcoal production for export. Initial demand alone will offer enormous incentives for the hundreds of thousands poor and landless peasants in the region to cut the forest for charcoal.

No means to effectively control deforestation once these projects are in place exists. Brazilian forest legislation requires that industrial projects using charcoal supply 50% of their needs from their own land, but the Brazilian Institute for Forestry Development (IBDF) is incapable of enforcing even this insufficient provision.

The Gurupi Forest Reserve, under the jurisdiction of IBDF and in fact in the Bank project area, provides a lamentable example of the institutional weakness of the agency. The reserve is occupied by thousands of squatters, invaded by agro-industrial enterprises and large landowners, and is in part claimed for colonization projects by the Executive Group for Land in the Araguaia-Tocantins (GETAT). IBDF has permitted these infractions to continue with impunity. The SUDAM/CODEBAR study notes the institutional weakness of the agency as one of the factors likely to contribute to resource destruction.

The environmental effects of the smelters, their economic viability, and their location have been the subject of vigorous protest from the Brazilian scientific community. The Superintendent for Environment of CVRD stated in his assessment of the projects, "the economic viability of a charcoal-based iron and steel industry in the Carajas region depends on the devastation of the native forests." He further notes that declining steel prices and increasing charcoal prices make the projects risky investments, which are attractive largely because of the tax incentives offered to investors, and goes on to say, "Once the charcoal fired smelters are installed, socio-economic pressures will increase and could lead to the total eradication of the native forest in the entire region in the not too distant future." (see annex 2)

Pollution from smelters, but also from deforestation for charcoal production is likely to interfere with Brazil nut tree pollination, damaging an important export resource. Eight pig iron projects would be located just outside of Acailandia, in an inappropriate area with insufficient water for smelting. The projects will have severe negative impacts on the entire Gurupi River basin, since the industrial water supply would come from its headwaters. The community of Pequia is located immediately below the plateau where the first smelters are being constructed and will suffer massive air and water pollution. The community has resisted efforts by CVRD to relocate it. The industrial district of Maraba is located upstream from the city on the Itacaiunas river and will pollute the city's water supply. Since Maraba is located in a geographic depression, with very little or no wind for as much as six months of the year, air pollution will be a very serious problem.

The Bank has devoted considerable attention to the National Indian Foundation's (FUNAI) Special Project for protection of and assistance to the indigenous communities in the Carajas Iron Ore Project area. The Bank deserves credit particularly for helping to negotiate the CVRD/FUNAI agreement whereby consultants approved by the Brazilian Anthropological Association monitor and evaluate the Special Project. The extension of the services of the Special Project in 1985 to 10 areas not previously included in it, which we understand the Bank supported, was a positive step in recognition of the actual impacts on indigenous populations of the development processes that Bank financing has helped to cause.

The Bank's considerable efforts on behalf of the indigenous populations of the region notwithstanding, the Carajas Iron Ore Project and associated development have caused serious long and short term problems for these populations. The greatest immediate threat to the indigenous groups in the Carajas region is the charcoal-fired pig iron projects. Many of the 23 indigenous areas that are the object of the Bank-required Special Project will be prime sources for wood for charcoal since they contain large reserves of forest, and many are already partially occupied by desperate squatters. The indigenous groups themselves in most cases want and need income, but have access to the market only on highly unfavorable terms. They will find immediately lucrative contracts for forest clearance hard to resist. Some National Indian Foundation officials in other areas have already shown a disturbing willingness to encourage Indians to permit unsustainable logging on their lands, in violation of Brazilian law. (See annex 3) If CVRD permits the charcoal- fired iron projects to go forward, the positive contributions of the Special Project to the welfare of the indigenous populations will be undone and their situation will rapidly deteriorate as their resource base is severely degraded or destroyed.

Charcoal development has already negatively affected indigenous peoples in the area of influence of the Carajas Iron Ore Project. The rural union of Sao Joao do Araguaia recently reached an agreement with the Ministry for Agrarian Reform and Development (MIRAD) for the resettlement of squatters on the Mae Maria reserve of the Gavioes Indians. The squatters entered the area following the Bank-financed railroad. MIRAD agreed to give priority to expropriation of Fazenda Uba, and two other areas for the resettlement of the squatters, which would have resolved a difficult conflict to the satisfaction of both the Indians and the peasants. The Executive Group for the Tocantins - Araguaia (GETAT), however, approved the sale of the same area to an industry, ITAMINAS, for charcoal production, blocking resolution of the situation on the Gavioes reserve. As this case indicates, chronic land conflicts in Para and Maranhao can be expected to worsen with the sudden creation of a large market for charcoal, and indigenous areas will suffer serious negative effects.

Another issue of importance to the welfare of the indigenous populations in the Carajas Iron Ore Project area, and in the Special Project, is that of illegal grants of authorizations for mineral research and mining on indigenous land. The National Department of Mineral Research (DNPM) between 1980 and 1985 issued 11 authorizations for mineral research and mining on Indian lands on five of the areas in the Special Project, and there are various requests for such authorization pending. Most of these authorizations are in fact within the area of influence of the Carajas Iron Ore Project. (Empresas de Mineracao e Terras Indigenas na Amazonia, Centro Ecumenico de Documentacao e Informacao/ Coordenacao Nacional dos Geologos; Sao Paulo, abril de 1986) These areas are: AI Catete, and AI Parakana, in Para, and AI Caru, AI Alto Turiacu, AI Bacurizinho in Maranhao. The area covered by these authorizations is substanital - CVRD, for example, has claim to almost the entire Catete Indigenous Area, inhabited by the Xikrin Indians.

Although legislation intending to permit mining on Indian land was decreed under the military government (decree 88.985/83), the National Indian Foundation regulation required for the decree to go into effect is highly irregular. On May 18, 1987, DNPM and FUNAI, in secret, signed an order regulating the decree. The Minister of Mines and Energy, to whom DNPM is responsible, has publicly contested the validity of the regulatory order. The authorizations were in any case issued before the required regulation was formulated. These authorizations are consequently illegal. The Bank should insist that these authorizations be revoked in the area of the Special Project (and in other Bank project areas, specifically in Rondonia and Mato Grosso), and that no further authorization for mining and mineral research on indigenous lands in Bank project areas be issued until such time as a comprehensive policy for indigenous mineral rights, acceptable to the indigenous communities, is adopted.

The case of the Guaja Indians merits special attention. This group of isolated recently contacted hunter-gatherers is directly threatened with extinction by the occupation of their traditional lands following the commencement of the Carajas Program. The Guaja are among the most vulnerable and most urgently in need of immediate, effective protection of all the indigenous groups in the area. IBDF, responsible for the Gurupi Forest Reserve, which coincides with a large part of the Guaja territory, has in the past presented obstacles to the definition of a reserve for the Guaja. IBDF has reportedly proposed a joint Indigenous Area/Biological Reserve as a solution, but has placed restrictions on Guaja occupation of the reserve. We urge the Bank to make the implementation of its tribal peoples policy in this case the highest possible priority, and specifically to insist on the immediate demarcation of an adequate area for the Guaja.

It is urgent that the Bank assist CVRD and the government to design a regional resource management plan that includes protection of native forest, demarcation of indigenous lands and land reform, and to build institutional capacity to implement it, so that development alternatives that do not cause massive deforestation can go forward. In this case the Bank could help to promote recovery and sustainable use of already degraded areas. Use of babassu palm as a fuel source is one promising technology that needs support and further research; existing electrical smelters for iron production are another alternative. Technologies much more efficient than the small scale charcoal kilns most used in the region already exist in Brazil and elsewhere. For example, Florestal Acesita in Minas Gerais produces charcoal from eucalyptus and pine with a 55% conversion efficiency, about twice that of existing small producers. This firm also gets 20 - 40 tons of wood per hectare per year from some of its industrial woodlots. The Antal technology, under development at the University of Hawaii promises improved efficiencies for small producers. Acesita has also reportedly investigated the "plasma smelt" process, which could replace charcoal as a fuel source altogether in steel production. Such technologies would lower the demand for charcoal, and the Bank should promote their adoption. We must emphasize, however that unless a regional resource management plan and the institutional strength to implement it are in place before industrial projects proceed, the result will be an environmental and human tragedy.

Other, long term, measures should be taken to address the process of deforestation and land conflict already in progress. The SUDAM/CODEBAR study on charcoal identifies a number of measures necessary to avoid repetition of the socially inequitable and environmentally destructive pattern of development evident in the state of Minas Gerais over the last fifty years. These include land reform, stimuli to local food production, and adequate technical assistance and credit for small agriculturalists, which would permit them to plant perennial rather than annual crops. We would point out that the Bank's experience in Amazon development projects strongly suggests that such measures are necessary but difficult to implement and a long term effort. The environmental and social effects of massive deforestation certain to result from charcoal-fired industrial projects under present circumstances would be immediate and devastating. We therefore urge the bank to use its expertise to assist the state and federal governments to develop and implement an agricultural policy that incorporates these long term recommendations.

Companhia Vale do Rio Doce is clearly responsible for environmental protection in the area of influence of the Carajas Iron Ore Project. The approved charcoal and industrial projects are not only located within the World Bank project area, along the Bank-financed railway, but the private enterprises involved chose these sites with information furnished by CVRD. CVRD has direct, economic control over these projects, since it is both the owner of the railroad and the sole source of the iron ore necessary for the manufacture of pig iron. CVRD, in collaborating with these undertakings, is in flagrant violation of Section 3.10 of the Loan Agreement. The magnitude of this violation is such that all of the Bank's efforts at environmental protection, as well as the intent of the Special Project will be seriously undermined if these projects are allowed to proceed.

In summary, it is critical that the Bank use its leverage to whatever extent is necessary to halt all industrial projects using wood-derived charcoal in the project area, and to assist the Brazilian authorities in evaluating alternative development options for the area that will not cause massive deforestation. It is also critical that the Bank undertake measures to deal with the invasions of the Gurupi Forest Reserve and other protected natural and Indian areas, to address the illegal authorizations for mineral research and mining on Indian lands in the project area, and to demarcate and protect with all due speed the lands of the Guaja Indians.

Sincerely,

Bruce Rich
Senior Attorney
Environmental Defense Fund
U.S.A.

Stephan Schwartzman
Anthropologist
Environmental Defense Fund
U.S.A.

Barbara Bramble
Director, International Program
National Wildlife Federation
U.S.A.

Larry Williams
International Representative
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Francis Spivey-Weber
Director, International Issues
National Audobon Society
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Craig Van Note
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U.S.A.

ANNEX 2

CVRD Internal Memorandum

Date: April 7, 1987
Reference Code: SUMEI/SUPES-186/87 1

From: SUMEI
To: SUPES
Re: Steel Industry Along the Carajas Railway -- The Korf Metallurgy Technology Ltd. Viability Study

As per your request, we are sending our evaluation of the referenced study which discusses the viability of manufacturing steel from pig iron produced in charcoal-powered plants along the Carajas Railroad.

The KTS study demonstrates what is already well known: the economic viability of a charcoal-based iron industry in the Carajas Railroad area depends on the devastation of the native forests. Charts 17 to 32 (pp. 57-72 in the study) are quite clear: if charcoal produced from native trees is used, the economic results are positive; whereas, if charcoal produced from trees from reforested areas is used, they are negative.

On the other hand, the study is not realistic in its predictions regarding reforestation. At the same time that it shows that it is economically unfeasible to use charcoal produced from planted trees (i.e., from reforested areas), the study supposes that business concerns will reforest 50% of all land cleared by the end of the third year of operation and 100% by the end of the thirteenth year (pp. 38 and 40).

We know that businesses gearing up to produce pig iron in the north are taking no precautions to reforest and that even if they intended to do so, agro-forestry techniques are not yet sufficiently developed to undertake large-scale reforestation projects over the short term. In Minas Gerais, only the largest enterprises -- high-technology firms producing steel alloys, sheet metal, and special foils -- use significant percentages (40% or more) of charcoal from planted trees. The average consumption of charcoal from planted trees is only 20% (p. 11 of the KTS study).

In Minas, the pig iron industry is very old, developed slowly, and exists in a region with a well developed road system that permits collection of charcoal over a vast area that extends from Brasilia to Vitoria and in the North from Minas to Juiz de Fora. Even so, it has always been a cyclical industry that opens and closes factories depending on the price of its product.

Current capacity to produce charcoal at low prices in the South is insufficient, and, as a result, industry is seeking to move toward the North.

In the North, the pig iron industry has plans to expand rapidly, and the transportation system is under-developed -- the area is served only by the EFC and Belem-to-Brasilia road. Under these conditions, it is probable that the industry will have a short life span and that production will be curtailed after the accessible native forests have been exhausted. The KTS study mentions that in the regions of Acailandia and Santa Ines the size of the projects underway already exceeds wood production potential.

The steel factories intend to create a stable market for pig iron, protecting the industry from the short cycles that have characterized it. In our opinion, however, the economic and ecological bases are so fragile that investments in steel production are highly risky.

Charts 33 and 34 of the study (pp. 77 and 78) show the sharp decline in steel prices in recent years. The conclusions favoring the viability of steel factories (charts 45 and 69 at pp. 129 and 144) are based upon prices more or less stabilized at current levels. Our question is whether prices will actually stabilize or whether they will fall even further.

We have therefore two basic tendencies:

- declining prices for steel
- increasing costs of wood-derived charcoal

These tendencies need not continue much in order to condemn the projects.

Further decline in steel prices can be questioned perhaps, but continued increases in the cost of charcoal production, which now accounts for 68% of the cost of pig iron (page 17), is inexorable. The study estimates that charcoal from virgin forests would cost only US $45 per ton while charcoal from planted trees would cost US $56 per ton. In fact, the cost of charcoal from planted trees will be substantially higher. In Minas Gerias, charcoal from planted trees costs twice as much as charcoal from natural forests. The study itself admits that under current conditions the cost would be US $75 per ton (p. 19). Decreasing this cost would depend upon perfecting techniques yet to be introduced. One factor that may contribute to increased charcoal costs which the study does not consider is a possible relative increase in the minimum wage for the region.

The ideal scenario of a charcoal-powered steel and iron industry is only possible if prices for pig iron and steel rise to levels much higher than the present levels.

Another factor that the study fails to consider, although it is well known, is that a principal attraction of developing a pig iron industry in the North is the tax incentives without which investments would be unattractive, even using charcoal from natural forests.

A serious concern of the study is that "management" of natural forests is not viable. According to data gathered by KTS in conjunction with FRDSA, charcoal obtained from secondary forest, in the North, would be more expensive than from planted trees (p. 48). It is not clear why this is so, but the nature of the area (dense forest and vines) is a factor. It seems that secondary forest tends to be choked with vines and is of little economic value. What is certain is that obtaining wood for charcoal cannot be the only objective of economic forest management.

The primary concern that comes to mind when considering a metallurgy industry based on charcoal in the North is the extent of charcoal production capacity and its cost; which data are to be surveyed in forestry and reforestation research. Charcoal must be viewed as one of a diverse group of forest management products; others include hardwoods, nuts, oils, palms, etc. Research on management techniques and on reforestation requires investment and time, and such research is just beginning in the North.

The rapid expansion of a charcoal-based iron industry and the consequent pressure to produce large quantities of cheap wood will render unviable any economic, rational, and permanent use of forest resources.

To develop the industry and then to worry about charcoal later is an inversion of values that will create a predatory exploitation of the native forest. Natural forest is not a "renewable resource". To the contrary, it is a fragile resource, whose principal value resides in its biological diversity. It is a genetic reserve of incalculable worth. As it is currently be used, it will be exhausted long before any mineral deposits in the region.

CVRD projects to Brazil and to the world the image of an enterprise concerned with environmental matters. Today one of the most discussed environmental issues is the fate of the equatorial forests, exuberant but fragile ecosystems containing enormous but still undocumented genetic reserves, which are rapidly being devastated. CVRD participation in projects that depend, without the slightest doubt, as the KTS study demonstrates, upon the destruction of equatorial forest, will certainly invert the image the company projects of being a company concerned about environmental issues.

The argument that the wood to be used is wood that would be extracted and burned in any event to make way for agriculture and pasture is not true. Most of this wood will not be available for charcoal production because it will be produced on small, inaccessible farms far from the factories. The charcoal producers will exert pressure upon the dense, nearby forests whether or not those forests are destined to be converted for agriculture or pasture.

While deforestation is caused by agricultural and cattle ranching activities, it is possible that legislation requiring the preservation of 50% of the forest on each property may be respected. Once the charcoal-powered iron and steel industry is operational, there will additional socio-economic pressure that could lead to the total irradication of the native forests in the entire region in the not too distant future.

The KTS study projects that without reforestation, the regions capacity to produce wood will be exhausted in 20 years (p. 40). In the study, this is a hypothesis for "the sake of discussion". In our opinion it is a most realistic hypothesis. What we wonder is if production will last even 20 years.

It is easy to foresee that any charcoal production activities in the northern region will be controversial. IBDF will be pressured by Brazilian and international environmentalists and will try to fulfill its obligation to protect forests according to the law. The pig iron producers will exert pressure to obtain charcoal as cheaply as possible, that is from the thickest and closest primary forests. Lack of precision regarding boundaries and land titles will further agravate the situation. There will be pressure on parks and indigenous reserves.

The responsibility of CVRD is greatly increased by the fact that it holds the monopoly on mining and rail transport. No iron or steel industry can exist in the North without the support of CVRD. In this situation, the company will be pressured on the one hand by the pig iron manufacturers who will seek ore at cost or below cost in order to offset increasing prices for charcoal and will be pressured on the other hand by environmentalists and by IBDF to exercise its influence to contain the ravages caused by the pig iron manufacturers. It will be difficult for the company to defend itself against charges of being the party principally responsible for the devastation of the equatorial forests in its area of influence in the North. To preserve only the forests under its direct control will not be sufficient to lessen its responsibility.

It is therefore our opinion that there exist reasons of an economic order, of an ecological order, reasons regarding risk to CVRD's domestic and international image, and of involvement in insoluble conflicts of interest for the company to oppose the charcoal-based iron and steel industry in the form that it is currently being implemented in the area of the Carajas railway. (emphasis added)

Attentively

FRANCISCO F. DE ASSIS FONSECA
Superintendent of the Environment

cc.VP, SUMAC
FF/DES

Translated by Kenneth Walsh, Environmental Defense Fund

Senator KASTEN. Let me just say that I don't think the committee, either the minority or the majority, looks upon this as anything close to a passing fad. This is an effort that we began several years ago with you, and several other people in this room. I think there is a growing group of strong supporters that I see not only in the U.S. Congress, but around the world.

We are making real progress, and much of the progress can be credited to the Environmental Defense Fund and to other groups represented at this table and in the room. We look forward to continuing the work that we do together to improve our monitoring of the multilateral development banks.

Our next witness is Barbara Bramble who is the Director of International Programs at the National Wildlife Federation.

Barbara, welcome.

NATIONAL WILDLIFE FEDERATION

STATEMENT OF BARBARA BRAMBLE, DIRECTOR, INTERNATIONAL PROGRAMS, NATIONAL WILDLIFE FEDERATION

IMPROVED PERFORMANCE OF MDB'S

Ms. BRAMBLE. Thank you, Mr. Chairman.

In the interest of time, I am just going to address two issues, but I would ask that my full written statement be included in the record.

Senator KASTEN. Without objection, your entire statement will appear in the record as if read.

Ms. BRAMBLE. I would also like to endorse strongly the views that are expressed here today by the Natural Resources Defense Council, the Sierra Club, and the National Audubon Society on the other important issues that are going to be included in the appropriation this year.

There is certainly no need to detail here the long history of the campaign to improve the social and environmental performance of the multilateral development banks, and we certainly want to commend your efforts and the others on the committee for the productive role you have played in advocating the major changes in these institutions.

It is clear that your efforts are beginning to pay off. The signs of progress are apparent in most of the multilateral development banks, and we do, therefore, support continued funding of the multilateral banks. But, we would be less than candid if we did not observe the unacceptable slow pace of change at these lending institutions.

In particular, the Inter-American Development Bank has shown little willingness to undertake the internal reforms that might reduce the negative social and environmental impact of its lending activities.

The IDB has also rebuffed the recent request by a group of environmental agency officials and non-governmental organizations from Latin America that the bank take affirmative steps to incorporate their views into the project decision-making process. Both Mr. Schwartzman and Mr. Williams have talked about that in detail today, so I won't go into it now.

ENFORCEMENT OF LOAN CONDITIONS

More critical, I think, is that the bank is evading its responsibility for enforcing loan conditions on projects that it has already funded. Here I am referring, of course, to the now infamous Porto Velho-Rio Branco road project in the State of Acre in Brazil.

The IDB has allowed construction of this road to go forward despite the fact that loan conditions, designed to safeguard the rights of indigenous and to conserve the valuable tropical forests in the area, have not been carried out.

For this reason, the National Wildlife Federation, along along with the Environmental Defense Fund and others, called upon the IDB to take strong measures to enforce the loan conditions, including suspension of the loan disbursements temporarily, if necessary.

Clearly, if the bank is not willing to confront borrowers in cases such as this, there will be little respect for the environmental safeguards the bank may include as part of other loan agreements.

Therefore, I think that the reforms that you have called for, which have been detailed in previous language and are going to be worked by your staff this year, including increases in the appropriately trained staff at the agencies, affirmative steps to incorporate NGO's, and a shift toward smaller scale environmentally sustained projects are crucial.

U.S. APPROPRIATION LEVELS FOR MDB'S

On the question of the level of the U.S. appropriation for the MDB's, we feel support for the IDA replenishment is a critical priority since this program is a soft loan window for the poorest nations.

Since the trends among most of the multilateral banks, in dealing with the environment, are slow but positive, we generally support the administration's request for them as well. But, frankly, we are astonished and disappointed by the refusal of the IDB to fulfill its responsibility to see that the barely adequate conditions written into the loan agreement for the Acre Road project are implemented.

Thus, if the subcommittee finds it necessary to reduce overall funding for the MDB's, we reluctantly conclude that the contribution for the IDB is not of the highest priority. If, however, prior to final passage of the legislation which funds these institutions, the IDB both suspends payments on the Acre road project or finds some other means of assuring that the conditions are indeed being met, and if the IDB agrees to make some specific improvements in its interactions with borrowing country NGO's, we would urge the Congress to provide funding for the IDB on the basis as the other MDB's.

THIRD WORLD DEBT

The other subject that I would like to briefly call your attention to is the connection between the crushing Third World debt in many developing nations and the state of their natural resources. This connection is not entirely clear and requires some explanation.

Briefly, in the past 8 years or so, developing countries have faced drastically increasing debt service requirements and deteriorating terms of trade for their chief exports. These factors have placed them in the position of having to increase the rate of exploitation of their natural resources for short-term foreign exchange gains, and at the same time to cut or delay the implementation of the conservation measures that could reduce the long-term degradation of the resource base.

Moreover, it should not be forgotten that lack of concern for natural resource management in the funding of development projects over the years by both commercial and official lenders has saddled some borrowers with debts for failed projects and expensive repairs.

I am not going to go into an explanation of the history or the dimensions of the debt crisis, but suffice it to say that there have been mistakes made by borrowers, lenders, and their advisors.

The National Wildlife Federation believes that concern for the natural resource base should be a vital part of the deliberations over what should be done to address the debt crisis. As a part of any recovery program, borrowers will need assistance to design a strategy for sustainable development since the temptation to continue patterns of investments for short-term profit at the expense of the future will be hard to resist.

Paradoxically, the debt crisis itself offers an opportunity to encourage the borrowers to move in the direction of sustainable development. Thus, the objective is to link some of the lenders. inevitable concessions to significant initiatives by the borrowers to enhance resource management and conservation.

The MDB's have a role in these negotiations in two ways. One is in the policy lending, the sector and structural adustment loans, which are becoming a centerpiece of their activities. The World Bank is already in the process of negotiating one policy loan for the environment.

In line with this thinking, the recently introduced bill that you have entered into the Senate as S. 1538 promotes the use of policy-based lending to enhance conservation. This forward looking legislation would urge the establishment of a new structural adjustment lending program specifically to fund policy changes and other actions by borrowers to protect and manage tropical forests and wetlands.

We are very grateful to you for your action in introducing that bill, and support your actions to get it passed.

A more innovative measure, however, would be to negotiate an agreement among the multilateral bank members to permit the banks to accept loan payments in some form other than cash, and this, too, is one of the objectives of the Tropical Forest Protection Act. If this proposal were adopted, a country could undertake to set aside a high value tract of tropical rain forest or protect mangrove swamps as part payment on a portion of its World Bank debt. These could be justified as concessions calculated to enhance the likelihood of repayment of the remaining debt.

Therefore, we urge that the subcommittee incorporate the principal provisions of S. 1538 in this year's appropriation for the multilateral development banks.

Thank you.

[The prepared statement of Ms. Bramble follows:]

NATIONAL WILDLIFE FEDERATION

TESTIMONY OF

BARBARA J. BRAMBLE

ON BEHALF OF THE

NATIONAL WILDLIFE FEDERATION

Good morning, Mr. Chairman. I am Barbara Bramble, Director of International Programs at the National Wildlife Federation. The National Wildlife Federation is the nation's largest private conservation organization with over 4.8 million members and supporters, dedicated to the wise use and management of natural resources.

I thank the Chairman and members of the Subcommittee for providing the opportunity for me to testify today regarding the multilateral development banks (MDBs) and the impact of their lending activities on the sustainable use of natural resources in the borrowing countries. We are particularly concerned about the lack of significant progress so far by the Inter-American Development Bank in incorporating environmental concerns into their lending decisions.

I would also like to take this opportunity to explain how the external debt crisis facing many Third World nations is undermining their chances for sustainable economic development. We hope the Subcommittee will endorse the Tropical Forest Protection Act of 1987, S. 1538, introduced by Senator Kasten, which links conservation investments by the borrowers to debt rescheduling negotiations. We urge you to include its key provisions in the FY 1988 Appropriations bill.

In light of the time constraints here today, I will limit my statement to these two issues. But I want to make clear that the Federation strongly endorses the views expressed by my colleagues at the Natural Resources Defense Council, Sierra Club and National Audubon Society concerning the African Famine, Recovery and-Development Fund Act, the U.S. AID biological diversity earmark, establishing a responsible policy for funding pesticide use abroad, the U.S. contribution to UNEP, and support for family planning programs abroad.

I. The Social and Environmental Quality of MDB Lending

There is no need to detail here the long history of the campaign to improve the social and environmental performance of the MDBs. Indeed, we commend members of this Subcommittee for their active and productive role in advocating major reforms in these institutions. It is clear that your efforts are beginning to pay off, in the form of the new environmental department at the World Bank and the emphasis on environmental concerns at the recent annual meeting of the African Development Bank.

The goal of the National Wildlife Federation is to foster sustainable economic development, in the Third World as well as in industrialized nations, and we recognize the crucial role that can be played by the MDBs in reaching this goal. Thus we strongly support the Administration's Appropriations request, for the IDA-VIII replenishment and for most of the regional MDBs, to afford these banks the internal resources they need to improve their environmental performance, and in order to assist the developing countries to address their serious natural resource and development needs.

Yet, having indicated our support for MDB funding, we would be less than candid if we did not observe the unacceptably slow pace of change at these lending institutions.

The Inter-American Development Bank (IDB), in particular, has shown little willingness to undertake internal reforms that might reduce the negative social and environmental impact of its lending activities. The quality of its loans, therefore, continues to suffer. For example, though the IDB has made some progress in terms of analyzing the environmental effects of its global credit loans in Panama, the Bank is still financing several global credit loans for cattle ranching in this and other borrowing nations.

The IDB has also rebuffed the recent request by a group of environmental agency officials, and 22 non-governmental organization representatives, all from Latin America, that the Bank take affirmative steps to incorporate their views into the project decision-making process.

Perhaps more critical, however, is that the Bank is evading its responsibility for enforcing loan conditions on projects it has already funded. Here I am referring, of course, to the now infamous Porto Velho-Rio Branco road project in the State of Acre in Brazil. As the Chairman and Ranking Minority member of this Subcommittee are aware, the IDB has allowed construction of this road to go forward despite the fact that loan conditions, designed to safeguard the rights of indigenous peoples and conserve the valuable tropical forests in the area, have not been carried out by the state and federal agencies of Brazil. Today, two years after the loan was approved, the road is partially paved, yet the demarcation of indigenous lands and natural areas has yet to be carried out. Pre-paving work on the road has already caused severe drainage problems, resulting in a high incidence of malaria. Recently, one of the groups that would be most affected by the lack of environmental safeguards, the "Seringueiros" or rubber tappers of the region, sent a letter to the President of the IDB, Mr. Ortiz Mena, describing the failure of local authorities to implement the plan of action.

For this reason, NWF along with the Environmental Defense Fund and others have called upon the IDB to take strong measures to enforce the loan conditions, including suspension of the loan disbursements temporarily, if necessary. We do not feel the Bank should cancel the loan outright at this time, since abandoning the project, just when the difficulty of implementing the conditions becomes apparent, would send precisely the wrong signal to borrowers. Clearly, if the Bank is not willing to confront borrowers in cases such as this, there will be little respect for the environmental safeguards the Bank may include as part of other loan agreements.

When Chairman Inouye and Ranking Member Kasten brought this matter to the attention of IDB officials, the Bank refused to take remedial action, claiming the loan conditions were in compliance. The IDB has completely ignored the fact the environmental action plan exists in name only and nothing in the way of implementation has occurred.

By comparison, the World Bank is definitely making some progress. But the positive steps outlined by Bank President Conable in his May 5, 1987 speech before the World Resources Institute may be falling on hard times. The approximately 100 added environmental positions that were described in news articles following this speech appear to have been reduced to fewer than 50, divided among the new department and four new regional offices. Importantly, we find that greater emphasis has been given to reassigning existing Bank staff than to hiring those most qualified to fill these positions.

Therefore, while some progress is being made by the MDBs, much remains to be done to achieve the reforms this Subcommittee has called for in the appropriations legislation of the past two years. We are working with the House Banking Committee and Senate Foreign Relations Committee to include the needed language into the authorization legislation; but should that legislation fail to pass, we hope the Appropriations Committee will again adopt legislative language instructing the Treasury Department and U.S. Executive Directors to seek the reforms necessary at the MDBs:

First, the banks still need to increase the number of permanent staff trained in environmental and related sciences. Increases in appropriately trained staff are necessary to improve the quality of projects financed by these banks and, in the case of the World Bank, to avoid potentially negative social and environmental impacts resulting from policy-based lending.

A second important change has to do with the manner in which the MDBs interact with non-governmental organizations (NGOs) in the borrowing countries. Seeking information from these groups, and fostering public participation in general, is integral to improving the social and environmental impact of bank lending. We realize this notion is resisted by many governments, but the MDBs have a key role to play in persuading them it is necessary. The MDBs should develop mechanisms whereby NGOs, along with borrowing country environmental and health officials, can be involved in each stage of the lending process. A central element in all of this is the provision of adequate information to these groups at the earliest possible time. Thus, we urge this Subcommittee to highlight the importance of non-governmental input into decision-making, and to press the MDBs for practical methods of informing affected people about development plans as early as possible.

In addition, effective means must be found to ensure loan conditions designed to conserve natural resources and protect the rights and welfare of indigenous people are indeed being carried out. Finally, the U.S. Executive Directors should promote within the banks an increase in the amount of lending the MDBs devote to environmentally beneficial projects and project components, and promote environmental policy loans, where appropriate.

These are some of the most important changes the MDBs need to undertake if they are to improve the environmental and social quality of their lending activities. We are quite pleased with the language adopted by the House Appropriations Subcommittee on Foreign Operations and urge your Subcommittee to adopt similar provisions.

On the question of the level of the U.S. appropriation for the MDBs, we feel support for the IDA replenishment is a critical priority, since this program is the "soft loan" window for the poorest nations. The trends toward environmentally sound lending among the IBRD and the regional MDBs are slow but positive, so we generally support the Administration's request for them as well. Frankly, we are astonished and disappointed by the refusal of the IDB to fulfill its responsibilities to see that the barely adequate conditions, written into the loan agreement for the Acre Road project, are implemented.

Furthermore, we are deeply disturbed by the Bank's unwillingness to respond substantively to the recommendations, made to the IDB by Latin American and Caribbean NGOs, for the development of a mechanism whereby they can be more fully involved in the lending process. The Bank also failed to address the groups' suggestion that the IDB promulgate an official policy statement that would encourage Bank staff to more fully utilize the knowledge these groups possess.

Thus, if the Subcommittee finds it necessary to reduce overall funding for the MDBs, we reluctantly conclude that the contribution for the IDB is not of the highest priority. But if, prior to final passage of the legislation which funds these institutions, the IDB suspends payments on the Acre Road Project, or finds some other means of assuring that the loan conditions are indeed being met, and if the IDB agrees to make some specific improvements in its interactions with borrowing country NGOs, we would urge the Congress to provide funding for the IDB on the same basis as the other MDBs.

II. Natural Resources Conservation and Third World Debt--The Role of the MDBs

The linkage of the debt crisis with natural resources conservation requires some explanation, since it is not clear at first glance. But there is an important connecton, which is beginning to be recognized. The recent "debt for nature" swap in Bolivia, and Mr. Kasten's introduction of S. 1538, the Tropical Forest Protection Act of 1987, illustrate the potential value of linking conservation with debt adjustment. Through these and other mechanisms, it should be possible to negotiate debt concessions in return for investments by the borrower in long-term conservation programs; in this way something of value for the future of mankind can be salvaged from the tragedy of the present financial impasse.

The Problem

Briefly, in the past eight years or so, developing countries have faced drastically increasing debt service requirements and deteriorating terms of trade for their chief exports. These factors have placed many developing countries in the position of having to increase the rate of exploitation of their natural resources, for short-term foreign exchange gains, and at the same time, to cut or delay the implementation of conservation measures that could reduce the long-term degradation of the resource base. Timber extraction, conversion of mixed farmlands to massive unsustainable cash crop monocultures, and destruction of valuable wetlands are all on the increase. This is leading to deforestation, extinction of potentially valuable species of plants and animals, erosion of soil, deteriorating downstream water supplies, and loss of fisheries potential. Countries are competing with each other for industrial development investments, and some officials have admitted privately they fear requiring control of highly hazardous pollutants may reduce their attractiveness to investors. Moreover, some are scrambling for economically marginal industries such as bauxite and copper mining and smelting, the market prices for which have been low through most of this decade, (and which don't even generate much employment), simply because they do earn modest amounts of foreign exchange.

Moreover, it should not be forgotten that lack of concern for natural resource management in the funding of development projects over the years, by commercial and official lenders, has saddled some borrowers with debts for failed projects or expensive repairs.

Since the natural resource base is the vital underpinning of economic development, the current vicious cycle of resource degradation and deepening debt is of increasing concern. Ominously, the magnitude of the economic reversals being suffered by many developing countries is swamping the modest contributions to conservation programs offered by private and official international donors.

I shall not go into an explanation here of the history and causes of the debt crisis; suffice it to say there have been mistakes made by borrowers, lenders and advisers. For years the International Monetary Fund prescribed spending cutbacks and currency devaluation as the cure. These austerity measures led instead to overall economic contraction in the borrowing countries and loss of export-oriented jobs here in the U.S. More recently, bankers and the Treasury Department have modified the prescription, maintaining that with continued borrowing, debtor countries would be able to "grow" their way out of the crisis. In recent months, however, the seriousness of the problem finally has been recognized. The major banks have increased their loan loss reserves drastically . And now thoughtful members of Congress are investigating new initiatives to ease the debt burden and enable borrowers to restart the engines of development, leading to economic stability.

Toward a Solution

The National Wildlife Federation believes that concern for the natural resource base should be a vital part of the deliberations over what should be done to address the debt crisis. As part of any recovery program, borrowers will need assistance to design a strategy for sustainable development, since the temptation to continue patterns of investments for short-term profit, at the expense of the future, will be hard to resist. Unless debtors are encouraged to devote some funds to long-term investments such as reforestation, where the benefits, while immense, are delayed, it will be difficult for them to get off the resource degradation treadmill.

Paradoxically, the debt crisis itself offers an opportunity to encourage borrowers to move in the direction of sustainable development.

As a general proposition, the objective is to link some of the lenders' inevitable concessions to significant initiatives by the borrower to enhance resource management and conservation. Concessions are already being considered, of course, and include reduced interest rates, rescheduling of payments, and improved terms for debt equity exchanges and, in some cases, new loans.

The Role of the MDBs and the IMF

The MDBs, along with the International Monetary Fund, are significant actors in the debt decisions of many developing countries. They are influential advisors and help countries design development strategies. The MDBs traditionally have provided vital external funds through project loans; now the World Bank increasingly is processing massive sector and structural adjustment loans as well, and the IDB is being urged to join this trend.

1. Policy lending -- Increasingly seen as a powerful tool for encouraging borrowers toward internal reforms, policy lending, in the form of sector and structural adjustment loans, is becoming a centerpiece of World Bank lending activities. Unlike a project loan, a policy loan can be identified and negotiated quickly and the reforms it supports can affect a wide range of activities in the borrowing country. While we are concerned that some of these loans may have major adverse effects on natural resources, and thus they need to be as carefully examined as project loans, there is the potential for using them in a positive way.

For example, the World Bank and the government of Brazil are now in the process of negotiating the terms of a large (over $100 million) environmental policy loan. The funds are intended to support new environmental agencies at the state level, and fund training, research, soil and tropical forest management, and control of toxic pollutants, among other new programs. While much of this money unfortunately will be recycled immediately to service Brazil's foreign debt, the fact that the World Bank is making this $100 million available to Brazil for environmental work has raised the priority of environmental issues among officials in the finance and planning ministries; and easing the interest payments pressure, even temporarily, will assist Brazil to accomplish the goals of the loan using local currency.

This is the first major loan of its type, and we congratulate the World Bank and the government of Brazil for the commitment. Offering similar policy loans to other countries could succeed in attracting the attention of harried financial officials toward natural resources management programs that are valuable for a long-term development strategy but hard to undertake in the context of the debt crisis.

Moreover to the extent real debt relief mechanisms are implemented in the future, so that MDB funds eventually can be used for development purposes and not just to pay interest, the value of such loans will increase.

In line with this thinking, S. 1538, the recently introduced Tropical Forest Protection Act of 1987, promotes the use of policy-based lending to enhance conservation. [See section, 2(b)(1)(A) of the bill]. It would urge the establishment of a new structural adjustment lending program to fund policy changes and other actions by borrowers to protect and manage tropical forests and wetlands. The proposal builds on current World Bank authority and emphasizes the need for policy loans to enhance conservation of these vital natural resources.

2. MDB debt concessions -- In addition to providing infusions of foreign exchange through new loans, the MDBs and the IMF also should be encouraged to work with other financial institutions on mechanisms to achieve partial relief from their portion of the old debt.

One such measure would be to negotiate an agreement among the MDB members to permit the banks to accept loan payments in some form other than cash. This is precisely the objective of the Tropical Forests Protection Act of 1987. If this proposal were adopted, a country could undertake to set aside high value tracts of tropical rainforest, or protect mangrove swamps (important as nursery areas for fish and shrimp, as well as for shoreline protection), as part payment on a portion of its World Bank debt. These kinds of programs would have a significant, long-term, beneficial effect on the prospects for sustainable development in the borrowing country; thus they could be justified as a concession calculated to enhance the likelihood of repayment of the remaining debt.

If the arrangement affected only a small percentge of the MDB debt, or affected only the interest rates, this should not have a major impact on the bank's bond prices.

What Do the Borrowers Think?

It remains to be asked whether these ideas, especially the link between debt relief and natural resources conservation, would be welcomed by the borrowers. It must be ascertained whether this plan is seen as one more example of pressure from the industrialized world to accomplish its own priorities at their expense.

This question has been at least partially answered by the signing two weeks ago of the "debt for nature" swap by the government of Bolivia and Conservation International. Under that arrangment, $650,000 worth of Bolivian debt, owed to a Swiss Bank, was bought by Conservation International at a deep discount (it was worth $100,000 on the "secondary market") and cancelled in return for the establishment of a biosphere reserve of 3.7 million acres by Bolivia. At the signing ceremony, the Bolivian Ambassador and Minister of Agriculture eloquently described this conservation step as an investment in the future sustainable development of their country.

Another key indicator of borrower interest in the debt/conservation link is Costa Rica's suggestion that for the next few years all donors to their National Park system contribute to a fund to buy Costa Rica's debt on the secondary market; in return for cancellation of the debt, the government will put the equivalent sum, in local currency, into the Parks budget. (See article by Alvaro Umana, Minister of Natural Resources, Energy and Mines of Costa Rica, published in the Wall Street Journal, March 6, 1987.)

Officials from several Latin American countries, with whom I have discussed these proposals privately, are enthusiastic about debt/conservation swaps. Representatives of five countries, meeting at the State Department in January, 1987, took up the issue in several of their sessions. Significantly, in their Call for Action, they asked "...developed nations to buy developing countries' debt to be converted for local liquidity to co-finance...environmental projects."

There may be other officials in debtor countries who would have little interest in pursuing such measures. But the MDB campaign this Subcommittee has supported, especially the education programs for borrowing country officials, has begun to make headway in convincing decisionmakers that economic development and natural resources management are complementary goals. Thus, we believe that enough governments would be interested in pursuing serious negotiations linking debt concessions to conservation investments that it would be worth pursuing an agreement for such a program at the World Bank.

We therefore urge the Subcommittee to incorporate the principal provisions of S. 1538 in this year's appropriation for the MDBs.

BR-364 ROAD IN BRAZIL

Senator KASTEN. Thank you, Barbara. Thank you also for your comment on our legislation. I think the efforts that were recently made in Bolivia could serve as a model for this whole area. If we can move in that direction by encouraging more of that, I think that we can make some progress. We just have to keep looking for new ways to do it.

The committee is concerned about the resumption of the construction of the BR-364 road in Brazil. The construction on this road has commenced again, despite the committee's strenuous objections about the environmental problems associated with this project. Despite the strenuous objections, also, of the Treasury Department. Jim Baker and others are very interested in what is going on. I think it is clear in this particular project that the overall efforts of the banks are simply not adequate.

I have several questions that I want to address to you in writing because we have time problems. I specifically have time problems. I want to touch on one brief point, if I can, and ask each of you the same question.

ENVIRONMENTAL REFORMS OF MDB'S

One of the things that we have tried to do, with your help, in addition to writing a strong law in this country, in these appropriations bills, is to promote the environmemtal reforms of the multilateral development banks. Not only have we written laws, but we have had hearings, and some of those hearings have included people from around the world. But so far, as far as I know, none of the other donor nations to the multilateral development banks are taking the aggressive role that this committee and the Department of the Treasury have.

I know that all of you in different ways have been working with people from other parts of the world. What is the environmental community doing to promote the adoption of laws similar to the laws that we have been able to adopt through the other donor nations?

Larry, I will begin with you, and we will go across the panel. I would ask if you could limit your answer to a couple of minutes at the most.

Mr. WILLIAMS. I think that the most obvious action was the publication by the Sierra Club, in cooperation with the other groups with me, "Bankrolling Disasters," which distributed to NGO's around the world the language of this subcommittee in the appropriations bills, the recommendations of the Banking Committee in the House, and an understanding within that document of how the banks operate and how they can affect the banks' process from their country.

The reception of that document has been very positive, and we think that the NGO's, as a result of that document and the travel that our groups have made around the world, visiting finance ministers and NGO's, is having its effect. We did meet with many of the executive directors to the World Bank prior to the last Development Committee meeting, and a surprising number of them concurred with our concerns. They claimed that they were environmentalists also, and they were speaking in front of the board when the loans came up.

A change is occurring, but your observation that we are not seeing laws put in place in other countries, this is true. This has come up before the German Parliament in subcommittee, but I have not seen any real action on that level. I have been to Germany just recently, and I have tried to get the grassroots organization, I think successfully, to get engaged in that process in Germany.

NEED FOR LEGISLATION

Senator KASTEN. Stephan, I am particularly interested in the political process, and not necessarily in the efforts that environmentalists or the environmental groups. What we need is laws passed, and not people making good speeches. I don't know what kind of progress we are making there.

Mr. SCHWARTZMAN. You are asking about the other donor nations.

Senator KASTEN. Yes.

Mr. SCHWARTZMAN. It seems to me that in terms of actual legislation, it has not reached that point in other donor countries yet, although I do know that there are many nongovernmental organizations, particularly in The Netherlands, in Scandinavia, and in the United Kingdom, which are actively engaged in bringing specific problems in MDB projects to the attention of the relevant agencies there, and collaborate very closely with us.

I think that the case in West Germany that Mr. Williams mentioned is probably the case where the legislative process is farthest along, but I think that it is only now beginning to occur to environmental movement internationally that legislation similar to this could be passed in other countries.

Senator KASTEN. Barbara, do you have any further comments?

Ms. BRAMBLE. One thought is that it doesn't necessarily need the kind of legislation that we have here when you have a parliamentary system, so that, in fact, the kind of contacts that we have had, all of our organizations, with the finance ministers directly, the equivalent of our Treasury Department, can have the needed effect by itself if, in fact, it is perceived that the public interest movement is asking for it strongly enough.

I think that part of the problem is that most groups like ours have a lot of their own priorities, and they are busy working on problems within their own countries. Until we have our network strong enough that they are willing to take on the problems in developing couotries as well, in the same kind of strong way that we are, perhaps the governments are not feeling the pressure as strongly as they should.

By, by and large, in the parliamentary governments in Europe, I think, once they do feel that from the citizen groups, the finance ministers will be able to make the instructions quite directly.

Senator KASTEN. For the first time in history we were successful in having the U.S. Representative to the World Bank vote "no" on a project and list his reasons for voting no, because it was not environmentally sound. This was on a hydroelectric project in Brazil.

I am told that after vote occurred, other representatives approached him and said: If we had known you were going to vote no, and the reasons that you were going to vote no, and we had had an opportunity to present that to our governments, possibly my instructions on this vote would have been different.

That is one case. In the Inter-American Bank, for example, you have groups of Europeans who are routinely voting with whichever of the South American countries is affected. It is not unusual for the United States to be the only vote in opposition.

We don't have the kind of support that, I think, we deserve from the European countries. Some of that pressure can come through the government and the finance ministers, but some of that pressure ought to, I believe, also come through the elected officials in those countries who ought to be pushing the same kinds of issues that we have been successful in pushing in the United States.

Ms. BRAMBLE. I will just make one comment. These things take time, but nobody wants to hear that. There is a perception that we have to deal with, and that is that sometimes the United States has taken this position, perhaps, for several different reasons, and there is a problem of people wishing to sort that out before necessarily jumping on the bandwagon. I am afraid that that saddles the positions that we take sometimes with other meanings, and we have to deal with it straight up.

Senator KASTEN. I agree.

Let me say thank you for your testimony, but maybe more importantly for the work that we have been able to do together over the past couple of years. On behalf of Senator Inouye and the other members of the subcommittee, we look forward to continuing to work with you to aggressively pursue the goals we share.

SUBCOMMITTEE RECESS

The subcommittee will now stand in recess until 2 p.m., when we will resume with Mr. Charles Sykes of CARE.

[Whereupon, at 12:01 p.m., Thursday, July 30, the subcommittee recessed, to reconvene at 2 p.m., the same day.]

[AFTERNOON SESSION, 2 P.M., THURSDAY, JULY 30, 1987]

NONDEPARTMENTAL WITNESSES

OPENING STATEMENT OF SENATOR CHILES

Senator CHILES. The subcommittee will please come to order.

My understanding is that the subcommittee is now going to resume its public witness hearings. As we noted this morning, 39 individuals and organizations have requested an opportunity to testify. If we are going to complete the hearing today, as we must, we will need the full cooperation of all who do wish to testify. So we are going to have to ask you to limit your presentation to no more than 10 minutes.

I hope most of you know that this is a pretty busy day for the Appropriations Committee. We have a full committee meeting in process next door at this minute, and from time to time members are going to have to attend that meeting or other business. We are also trying to extend the debt ceiling on the floor.

The staff is authorized to receive testimony, when Senators are necessarily absent. I want to assure each one of you that your prepared statements will be printed in the record of today's hearing in full, and that every Member of the Senate will have an opportunity to review your written and oral presentations before voting on the fiscal year 1988 foreign assistance appropriation bill.

I want to thank each of you for making an effort to bring your views to the committee of the Senate, and we will begin with Mr. Charles Sykes, the Executive Director for CARE.

Mr. Sykes, I hope that you understand that we do have time constraints, and our problem of having to run off. In fact I have to go to the full committee now.

CARE

STATEMENT OF CHARLES SYKES, ASSISTANT EXECUTIVE DIRECTOR OF CARE

1980 LEVELS OF ASSISTANCE

Mr. SYKES. Thank you, Mr. Chairman.

It was good to see you a while ago with a group from the private voluntary agency community and looking at the 150 Account on the budget side. We appreciate that.

Senator CHILES. It is good to have you here.

Mr. SYKES. Thank you very much.

My name is Charles Sykes, and I am Assistant Executive Director of

CARE. We appreciate this opportunity to appear again before the Appropriations Committee's Foreign Operations.

Last September 11, the chairman of the committee appeared before a group of private voluntary organizations, organized by the foreign assistance working group, in a meeting which was entitled "The Crisis in Foreign Aid." At that time, the chairman counselled to seek to achieve a reasoned and reasonable level and balance of funding between development and security assistance, and suggested that that reasonable balance is reflected in the 1980 levels of assistance.

The 1980 level of assistance in terms of foreign aid was approximately 46 percent in security assistance, whereas in 1987 it has risen to 66 percent. Indeed, between 1980 and 1987, the multilateral and bilateral development assistance declined in real dollar terms from $5.2 billion to $4.4 billion despite inflation, while security assistance increased from $9.6 billion to $12.9 billion.

According to a recent InterAction survey, entitled "What Do Americans Think: Views on Development and U.S.-Third World Relations," suggests that this trend contrasts with the preferences of most Americans, and I suspect most of the members of this committee hold.

Most Americans continue to oppose military assistance, but support economic assistance largely because of a humanitarian desire to help other people. On regional allocations, most Americans, according to the survey, gave highest priority to Africa, whereas the actual 1987 spending shows Africa to have the lowest priority. It is difficult to imagine how support for the foreign aid can grow when so little of our actual spending conforms to public expectation.

Last year, the Gramm-Rudman pressures, obviously, led to reductions, $1 billion below the 1986 level and $2.1 billion below the President's request. This year, it appears that the budget resolution will require about another half a billion dollars in cuts below last year's spending, and the out-years don't look that much better. Yet, I believe that unless humanitarian and development assistance programs are protected and requisite savings come from military-security programs, public support for foreign assistance will continue to erode.

CR REDUCTIONS

In allocating the $1 billion in cuts, the continuing resolution cut paid in capital for multilateral development banks by about 15.7 percent, and bilateral development assistance by about 3 percent, while ESF went up very slightly.

Cuts like these have a very devastating effect in human terms. The long-awaited and much heralded U.S. program for long-term African development following the drought was a profound disappointment to African leaders and to the donor community. Last year, U.S. development assistance account levels in the bilateral account were approximately $328 million for development in Africa.

Today, we join with several other PVOs to urge you to increase this to at least $450 million authorized in the International Security and

Development Cooperation Act, S. 1274, as reported out by the Senate Foreign Relations Committee.

MULTILATERAL DEVELOPMENT BANK FUNDING

We also urge you and the members of the Appropriations Committee to provide adequate funding for IDA and for the other multilateral development banks. These institutions are the principal source of development financing for the Third World. IDA VIII alone will provide the poorest countries in Africa with about $2 billion more a year.

As you know, Mr. Chairman, the CARE, and PVO community in general, has devoted an extraordinary amount of time to fashioning and trying to craft legislation that would address the long-term development problems of Africa. After months of consultation and preparation, bills were introduced in the House and the Senate that reflect our judgment and our willingness to support greater flexibility for the administration by eliminating the functional accounts, but at the same time recommending a 10 percent earmark to ensure adequate funding for primary health care, environmental, and resource based issues, and voluntary family planning programs in the region.

Just as important, we agree that new guidelines for project assistance in the region need more structuring and more consultation at the design and implementation phases with private groups in the field.

We would very much like to see this new Chapter 7 to the Foreign Assistance Act on Africa Famine Recovery and development, reported in S. 1274, enacted this year. We would hope that you could work with your colleagues on the Foreign Relations Committee towards this end.

MICRO-ENTERPRISE FOR THE POOR ACT OF 1987

Finally, Mr. Chairman, I would like to close by mentioning the importance to CARE and other PVOs of Senator DeConcini's Micro-Enterprise for the Poor Act of 1987, S.998. We have worked hard on this legislation and think that it has come a long way since its first introduction. Based on our field experience in managing poverty focused lending programs and our knowledge and appreciation of local contextual factors, we have recommended a few technical changes. However, we believe these points are being worked out, and urge you and your colleagues to support the bill and appropriate $50 million for this program.

This is the conclusion of my statement, Mr. Chairman. If you have any questions, I will be glad to try to answer them.

[The prepared statement of Mr. Sykes follows:]

CARE.
WASHINGTON LIAISON OFFICE

Statement of Charles Sykes

Assistant Executive Director

My name is Charles Sykes, I am Assistant Executive Director of CARE and Director of CARE's Washington Liaison Office. CARE appreciates the opportunity to appear before the committee once again this year to stress the importance of humanitarian and development assistance as a vital component of our foreign policy.

Last September 11th in your speech presented before the Foreign Assistance Working group entitled "The Crisis in Foreign Aid" you counselled us that in our efforts to increase funding of development assistance we should "seek to achieve a reasoned and reasonable balance between development and security assistance", and suggested that such a reasonable balance did in fact exist in in 1980.

In 1980 46 percent of our foreign aid was security assistance whereas by 1987, notwithstanding your advice, 66 percent of US aid was security assistance. Indeed between 1980 and 1987 multilateral and bilateral development assistance declined in real dollars from $5.2 billion to $4.4 billion despite inflation while security assistance increased from $9.6 billion to $12.9 billion.

The recent InterAction/Overseas Development Council survey on "What Americans Think: Views on Development and US-Third World Relations" suggests that this trend contrasts with preferences of most Americans (and I suspect with the views of most members of Congress). Most Americans continue to oppose military assistance, but support economic assistance largely because of a humanitarian desire to help other people. On regional allocations, most Americans give highest priority to Africa - while actual FY87 spending shows Africa to have the lowest priority. It is difficult to imagine how support for foreign aid can grow when so little of our actual spending conforms to public expectations.

Last year Gramm-Rudman pressures coupled with lack of support for our foreign aid program resulted in an appropriations mark $1.0 billion below FY 1986 spending levels and $2.1 billion below the President's request. This year, it appears that the Budget Resolution will require another half billion dollar cut below FY 1987 spending, and the out-years project still further cuts.

Clearly the problems of coming up with adequate funds to meet our humanitarian, security, political and economic objectives are extraordinary. Yet I believe that unless humanitarian and development assistance programs are protected and requisite savings come from military-security programs, that public support for foreign assistance will further erode.

In allocating the $1 billion in cuts last year, the continuing resolution cut paid in capital for multilateral development banks 15.7 percent ($222 million), bilateral development assistance 3.0 percent ($45 million) and UN International Organizations and Programs 10.9 percent ($29 million) from previous year levels while political and security assistance under the Economic Support Fund continued to grow. (ESF increased 0.2 percent ($10 million) over FY86 levels).

Cuts like these have had devastating consequences - in human terms. The long awaited and much heralded US program for long-term African development following the drought was a profound disappointment to African leaders and the international donor community. Last year U.S. development assistance to Sub-Saharan Africa was only $328 million. Today we join several other organizations to very modestly urge you to increase this to at least the $450 million level authorized in the International Security and Development Cooperation Act, S. 1274, as reported by the Senate Foreign Relations Committee.

Similarly, we urge you and members of the Appropriations Committee to provide adequate funding for IDA and the other multilateral development banks. These institutions are the principle source of development finance for the Third World. IDA VIII alone will provide the poorest countries of Africa with about $2 billion a year yet American taxpayers will shoulder less than one quarter of the associated costs.

As you know Mr. Chairman, CARE and the PVO community in general has devoted an extraordinary amount of time to fashioning legislation that would address the long term development needs of Africa. After months of consultation and preparation bills were introduced in the House and Senate that reflected our expert judgement and our willingness to support greater flexibility for the Administration by eliminating the functional accounts but at the same time recommending 10 percent earmarks to ensure adequate emphasis be given to protecting and restoring Africa's natural resource base, primary health care activities and voluntary family planning programs in the region. Just as important, we agreed that new guidelines for project assistance in the region needed to structure far more local involvement into the design and implementation including regular and systematic consultation with private voluntary organizations in the field.

We would very much like to see this new Chapter 7 to the Foreign Assistance Act on "Africa Famine Recovery and Development" reported in S.1274 enacted this year. We would hope that you could work with your colleagues on the Foreign Relations Committee towards this end.

Secondly, CARE has worked on and strongly supports PVO provisions in the authorization bill, most notably those which would extend the PVO funding floor for development accounts for an additional four years and raise the level from 13.5 to 15 percent, while also raising the target from 16 to 20 percent as a PVO funding goal. The precise language on the PVO earmark was developed in consultation with the Administration and a broad coalition of private voluntary organizations and cooperatives. As such it represents a broad consensus on the need for the Administration to work more through those highly committed private channels of assistance under cost-sharing arrangements in order to better and more effectively target our scarce development assistance resources to the poorest members of society.

Finally, Mr. Chairman, I would like to close by mentioning the importance to CARE and other PVOs of Senator DeConcini's "Micro-Enterprise for the Poor Act of 1987", S.998. We have worked hard on this legislation and think it has come a long way since it was first introduced. Based on our field experience in managing poverty focussed lending programs and our knowledge and appreciation of local contextual factors, we have recommended a few technical changes. However, we believe these points are being worked out and urge you and your colleagues to support the bill and appropriate $50 million for the program.

Thank you for your time and consideration.

SPENDING PRIORITIES IN AFRICA

Mr. COLLINS. Thank you, Mr. Sykes.

In your testimony, you note that in a recent survey of public opinion, Americans place the highest priority on Africa, while actual fiscal year 1987 spending shows Africa to have the lowest priority.

Why do you believe that the spending priorities do not match the priorities expressed in the survey that you cited?

Mr. SYKES. I believe that they don't match primarily because of the lag time in terms possibly of media reporting on the conditions in Africa, and bridging this area of knowledge. We would bring this view of the survey to the attention of the committee.

Obviously, the committee and the Congress have placed higher priority on other geographical regions and areas in their allocations and appropriations of foreign assistance and foreign aid.

I think that it would be useful to follow with analytical data as to why there is this gap. We would be glad to work with the committee on that.

Mr. COLLINS. In your work on the DeConcini bill, do you expect that a substantial portion of the $50 million, if appropriated, would go to Africa?

Mr. SYKES. Not necessarily. It does not have any geographical focus, the bill as such, although there is substantial support for programs involving women, and women involved in loan activities, in micro-enterprises.

Africa has a rich tradition, at the micro-enterprise level, involving women in terms of the production and marketing of food. We think that there is great potential for using the micro-enterprise legislation to promote activities, but it would not be exclusively Africa. There are large numbers of programs in Central America, Asia, Latin America, which would benefit substantially from this legislation.

Mr. COLLINS. Thank you, Mr. Sykes.

Mr. COLLINS. We will next hear from Mr. Jay Foreman, Vice Chairman of the Board of Directors of the U.S. Committee for UNICEF.

U.S. COMMITTEE FOR UNICEF

STATEMENT OF JAY FOREMAN, ESQ., VICE CHAIRMAN, BOARD OF DIRECTORS, U.S. COMMITTEE FOR UNICEF

UNICEF PROGRESS

Mr. FOREMAN. Thank you very much, Mr. Collins, for the opportunity to report to the subcommittee on the progress of UNICEF and the Child Survival and Development Revolution this past year.

I am Jay Foreman, and I am Executive Vice President of United Food and Commercial Workers International Union, AFL-CIO. However, as you have noted, I have the pleasure of appearing before you today in my volunteer capacity as Vice Chairman of the Board of Directors of the U.S. Committee for UNICEF.

I am also pleased to extend to the members of the subcommittee the warmest regards of Hugh Downs, the Chairman of the U.S. Committee's Board.

Accompanying me today is Alex Palacios, Director of Congressional Relations for the U.S. Committee for UNICEF.

I have submitted a lengthier written statement for the record, and I hope that it will be included, and I will summarize it.

Mr. COLLINS. All statements will be included in the record in full.

ACTIVITIES OF UNICEF

Mr. FOREMAN. Thank you.

The U.S. Committee for UNICEF is now celebrating its 40th Anniversary, having been established in 1947 as the first of 33 national citizen organizations. The U.S. Committee's mission is to inform the American people and our Government regarding the work of the Children's Fund and special needs of children worldwide, as well as to raise funds to address those needs.

The U.S. Committee for UNICEF is supported by an extensive national volunteer network. They represent a large part of the American constituency for UNICEF and it is their message that I bring to you today.

Approximately 4 years ago, UNICEF launched a Child Survival and Development Revolution as an alternative low-cost and cost effective means of preserving child health and promoting child development. UNICEF announced that it could save countless lives within 10 to 15 years, making major worldwide progress achievable by 1990.

A statistic so staggering, 40,000 child deaths each day from preventable diseases and dehydration commanded and still commands our attention. Over these 4 years, we have learned that low cost and cost effective means can indeed cut these deaths in half by 1990.

GOBI TECHNIQUES

GOBI is the acronym of the life savings techniques of growth monitoring, oral rehydration therapy—I imagine that you are familiar with the package that has been distributed across the world—breast feeding, and immunization. The two principal components of this program, immunization and oral rehydration, have already saved over four million lives in the past 5 years.

In 1986 alone, one and one-half million young lives were spared death or disability through the application of the simple, low-cost methods.

SITUATION IN EL SALVADOR

Over 80 countries are now implementing expanded programs for immunization. However, the case of war-torn El Salvador continues to be a special case indeed. For 3 years now, cease-fires have been called and honored by all parties to enable the immunization of the country's children. By the end of the first year of innoculation, nearly 300,000 of El Salvador's children had been vaccinated against five deadly diseases. Before the campaign began, the immunization rate for El Salvador's children against these five diseases was 40 percent. At that time, more Salvadoran children died from these readily preventable diseases in a single year than the total of all deaths from the civil war and assassinations. Just this past February 1, the country began a third annual round of these days of tranquility. The goal during this year is to raise the rate of immunization from the 70 percent achieved last year to 80 percent.

These impressive results would not be possible without the leadership of the Congress and the support of the American people. The volunteers across this country who support the work of UNICEF have expressed their thanks to many Members on both sides of the aisle for acting in the last days of the 99th Congress to increase the child survival to $75 million, with $50 million of that earmarked for immunization and ORT.

Congress has also taken courageous steps to maintain the level of UNICEF's funding, despite enormous fiscal pressures. We express our thanks for those efforts on behalf of the world's children.

ROLE OF WOMEN

A word on the role of women. As you know, UNICEF's program is based largely upon empowering parents, particularly women, with the knowledge of the Child Survival and Development Revolution. Women will play a crucial role in the achievement of UNICEF's global goal for reducing infant and child mortality and morbidity rates.

Therefore, UNICEF has been increasing its support to programs that yield direct, social, health and economic benefits to women living in poverty for their own well-being.

Clean water continues to be on UNICEF's major priorities. Many of the deaths that UNICEF, UNDP, and other organizations are seeking to prevent are caused by water-borne diseases and lack of sanitation. Therefore, UNICEF supports projects in this crucial area and continues to devote priority attention to them.

UNICEF's expenditures for water supply projects remains approximately 21 percent of all program outlays. Nevertheless, large areas of the developing world are still without access to safe water, even for drinking purposes, and hundreds of millions of households do not have ready access to suitable water supplies. An even larger number of families, over half, do not have minimally satisfactory sanitation facilities.

The Child Survival Campaign has fostered great international cooperation for children.

SUPPORT FOR UNICEF PROGRAMS

Mr. Collins, I have devoted the lion's share of my comments here today to the activities of UNICEF. However, I would like to emphasize in closing that the accomplishments to which I refer are the result of the extensive collaboration of many international, government, and nongovernmental organizations. UNICEF has worked closely with several agencies of the United Nations system, including the work of the World Health Organization, UNEP, IFAD, UNDP, and the World Bank, as well as with international NVO's.

The decisive action of the Congress over the past several years preserved the level of voluntary contributions to UNICEF to establish and subsequently increase the funding level of the Chief Survival Fund and to earmark funds for Vitamin A programs that have meant life to millions of children. Neither UNICEF, nor any of the other private or public organizations involved in the Child Survival Effort could have accomplished so much without the direct support of the Congress.

As one who speaks on behalf of an American constituency, one of thousands of volunteers, I hope that I have communicated to you today the gratitude of that constituency for your leadership.

RECOMMENDATIONS

In light of the accomplishments that I have touched on today, I urge the subcommittee to (1) recommend, if at all possible in these difficult times, at least a slight increase in the appropriation for UNICEF for fiscal year 1988; (2) protect the funding level of the international organizations and programs receiving voluntary contributions from the United States, particularly UNDP, UNEP, and IFAD, which work closely with UNICEF in the field; (3) protect the funding level of the Child Survival Fund firmly at $75 million.

Thank you for the opportunity to present this statement. Though I am simply one of the U.S. Committee's many volunteers, I would be happy to try to answer any questions you might have.

[The prepared statement of Mr. Foreman follows:]

PREPARED STATEMENT OF JAY H. FOREMAN

VICE-CHAIRMAN, BOARD OF DIRECTORS
OF THE UNITED STATES COMMITTEE FOR UNICEF

Thank you, Mr. Chairman, for the opportunity to submit testimony to the Subcommittee on Foreign Operations regarding the progress on UNICEF and the Child Survival and Development Revolution this past year. I appreciate also the opportunity to comment upon the valuable work of several other international organizations receiving voluntary contributions from the United States, such as the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP), and the International Fund for Agricultural Development (IFAD) which work closely with UNICEF in the field.

Mr. Chairman, the Committee for UNICEF is now celebrating its 40th anniversary, having been established in 1947 as the first of now 33 national citizen organizations in industrialized countries. The U.S. Committee's mission is to inform and educate the American people and our government regarding the work of the Children's Fund and the special needs of children worldwide, as well as to raise funds to address those needs. The U.S. Committee for UNICEF is supported by an extensive national volunteer network which is involved each year in the collection of donations, the sale of UNICEF greeting cards, the Trick or Treat campaign, and other fundraising activities. They represent a large part of the American constituency for UNICEF and it is their message that I bring to you today.

CHILD SURVIVAL AND DEVELOPMENT REVOLUTION: A Progress Report

Mr. Chairman, approximately four years ago, as most of the world was caught in the throes of an economic recession, UNICEF launched the Child Survival and Development Revolution (CSDR) as an alternative low-cost and cost-effective means of preserving child health and promoting child development. UNICEF, the World Bank, the United Nations Development Program (UNDP), and the World Health Organization (WHO) formed the Child Survival Task Force to map out a strategy for world-wide implementation of CSDR. That strategy and its accompanying goals were based on the recognition of several basic common denominators. First, that most infant and child deaths have a limited number of causes. Diarrhoeal dehydration and six vaccine preventable diseases: measles, tetanus, whooping cough, polio, diptheria, and tuberculosis were identified as preventable causes of child death. Second, scientific advances make prevention of these killers possible at low financial cost. Third, these life-saving methods work by entrusting knowledge of their effectiveness to parents and enabling parents to protect their children's health, not leaving them dependent on doctors they will rarely see at distant, expensive hospitals they will never reach. And fourth, new, under-used, or growing mass communication vehicles make possible education of all parents. This four-part strategy could save countless lives within 10-15 years--making major worldwide progress achievable by 1990. A statistic so staggering--40,000 child deaths each day from preventable disease and dehydration--demanded and still commands our attention. Over these four years we have learned that low-cost interventions can indeed cut these tragic deaths in half by 1990. Four interventions form the "GOBI" program which, advanced by the new communications capacity, is the leading weapon of this Revolution.

GOBI is the acronym of the life saving techniques of Growth monitoring, Oral rehydration therapy, Breast-feeding, and Immunization. The two principal components of this program, Immunization and oral rehydration therapy (the administration of a 10 cent solution of salt, sugar, and water), have already saved over four million lives in these past five years. In 1986 alone, over one and one half million young lives were spared death or disability through the application of these simple low-cost methods. The momentum and the social mobilization generated by the Child Survival and Development Revolution have rendered attainable what appeared to be distant targets just a few years ago, provided the progress of the past four years can be sustained.

For example:

In the Dominican Republic, the 20,000 volunteers who have given oral polio vaccine to 95 percent of the nation's children have taken on the more demanding task of measles and DPT injections.

In Brazil, 80 percent of children are now protected against measles and 67 percent against DPT, with the help of the volunteers who since 1980 have virtually eliminated polio in the country (from 20,000 cases per year to about 40).

In Nigeria, against great odds, the government is determined to immunize 80 percent of the nations's children by setting up immunization posts in the market-place and schools, mosques and chapels, and explaining the importance of immunization via traditional chiefs and religious leaders, politicians and schoolteachers, traditional entertainers and radio messages, press advertisements and house-to-house visits.

The Case of El Salvador

Mr. Chairman, over 80 countries are now implementing expanded programs for immunization. However, the case of war-torn El Salvador continues to be special indeed. As we have reported in recent years, El Salvador has overcome great odds in order to protect its children from the ravages of disease. Beginning in 1985, at the request of President Duarte, UNICEF, the Pan American Health Organization, the International Red Cross, AID, the Boy Scouts, and the Catholic Church have conducted a country-wide vaccination campaign during negotiated truce "days of tranquility." For three years now cease-fires have been called and honored by all parties to enable the immunization of the country's children by health personnel. (As you know, full immunization requires a series of innoculations thus the three de facto truce days approximately one month apart.) By the end of the first year of innoculation, nearly 300,000 of El Salvador's 400,000 children had been vaccinated against five deadly diseases. Before the campaign began the immunization rate for El Salvador's children against these five diseases was 40 percent. At that time more Salvadoran children died from these readily preventable diseases in a single year than the total of all deaths from the civil war and assasinations. And just this past February 1st, the country began a third annual round of these "days of tranquility." The goal during this year is to raise the rate of immunization from the 70 percent achieved last year to 80 percent.

Mr. Chairman, these impressive results would not be possible without the leadership of the Congress and the support of the American people. The volunteers across this country who support the work of UNICEF have expressed their thanks to many Members on both sides of the aisle for acting in the last days of the 99th Congress to increase the Child Survival Fund to $75 million, with $50 million of that earmarked for immunization and oral rehydration activities. Congress also has taken courageous steps to maintain the level of UNICEF's funding despite enormous fiscal pressures. We express our thanks to you Mr. Chairman, for your own personal efforts on behalf of the world's children.

The Congress and the American people are joined in their support for UNICEF by the people and Governments of many other nations such as Finland, Italy, Japan, Canada, Switzerland, and the Netherlands which have either maintained or increased their level of contributions to UNICEF in recent years to support the Child Survival and Development Revolution. Moreover, in the past year, through global special events initiated by UNICEF (such as "Sport Aid" for Africa, which was undertaken last spring in partnership with Britain's Bob Geldof and BandAid, and the "First Earth Run" which this past fall celebrated UNICEF's 40th Anniversary through a round-the-world torch relay), the people of the developing countries have contributed funds to UNICEF to a degree previously assumed impossible. Millions of dollars were raised in countries as disperse -- and themselves poor -- as India, Nigeria and Brazil, for the benefit of UNICEF's emergency rehabilitation efforts in Africa and worldwide child survival programs.

But clearly, Mr. Chairman, the leadership of the Congress -- which helped initiate the Child Survival Revolution and the momentum of support which it has gained, has directly saved over one million young lives in the past year and over four million since the CSDR was launched five years ago. Such success gives us definitive proof that we have the means, affordable means, to save 20,000 young lives per day! We have proof that the goal undertaken by UNICEF five years ago to cut in half by the end of the century the number of children who die each day largely from preventable diseases can be attained.

Mr. Chairman, I believe that such proof has added a new moral and ethical dimension to the deliberations of all governments appropriately concerned with the "bottom line." I hope and urge that, as in past years, Congress will include this moral variable in the political equation.

Children in Exceptionally Difficult Circumstances

Mr. Chairman, UNICEF's Executive Board prompted especially by leadership among the Western nations, has increasingly called upon the organization to become more involved in the protection and development of children in especially difficult circumstances. As a complement to ongoing UNICEF activities, a greater priority of attention is now being devoted to abandoned children and "street children", and UNICEF is taking a more active role in advocating increased attention to children and women in armed conflicts through promotion of "zones of peace" or "corridors of peace" on behalf of children in such areas. The El Salvador experience, which I described earlier, is perhaps the most dramatic example of what UNICEF can do to protect children who suffer the double jeopardy of poverty and hostilities. Less dramatic interventions have occurred or are being developed -- Uganda, the Sudan, Sri Lanka, Afghanistan, and elsewhere.

We recognize that given the nature of these complex problems and the type of efforts required, UNICEF can only provide limited direct support. It is our intention to promote greater awareness of the needs of children in especially difficult circumstances and, selectively, to support innovative and precedent-setting local opportunities.

Children on the Front Line

In this same vein of drawing attention to and attempting to relieve the plight of children in especially difficult circumstances, UNICEF recently released the first part of a study which it had commissioned on the situation of children in southern Africa, Children on the Front Line. While this study was originally intended for internal purposes only to guide UNICEF's own planning, Canadian Ambassador to the United Nations Stephen Lewis, who has led the donor countries' efforts to address critical situations in Africa, asked UNICEF to publish the results of the study.

The report highlights the situation in the nine countries of the Southern African Development Coordination Conference (SADCC)--Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia, and Zimbabwe. But the study particularly discovered that the children of violence-ravaged Angola and Mozambique have been affected to a degree not previously recognized, and so severely that their infant mortality rates have risen to the highest in the world, surpassing even those of war-torn Afghanistan, which UNICEF had previously identified as the world's worst.

Today more than 360 children under the age of five will die as a result of war and economic destabilization in Angola and Mozambique. Last year 140,000 small children died from these causes. They died not as a result of gunfire, but of preventable disease and malnutrition. The warfare in these countries has claimed non-military targets. In the case of Mozambique, over 700 health facilities have been destroyed since 1981, depriving at least two million people of the most basic health care. With medical facilities destroyed, health workers killed, maimed and kidnapped, and vaccination programs in many areas suspended, the mortality rate, particularly for under-fives, has increased dramatically. Children on the Front Line identifies action urgently needed -- immediate emergency help and longer-term support which UNICEF is already mobilizing.

First, basic health services -- especially in rural areas -- need to be restored, sustained, and strengthened. Immunization, antenatal care, the monitoring of child growth and health, the supply of basic drugs, and the provision of oral rehydration therapy are more important than ever. Second, family food security -- already eroded by drought and poverty as well as by war -- must be restored. For infants and children, one approach is to distribute supplementary foods to virtually all children for low-income or vulnerable households at clinics, schools or other distribution points.

Third, access to pure water -- both to reduce the incidence of water-borne diseases and to reduce the burden on women having to walk long distances to fetch water--remain central to reducing infant and child deaths. Health facilities, food, and pure water are the essential elements in any strategy for sustaining the lives of the hundreds of thousands of children at risk of death in the present southern African context.

The Role of Women

Mr. Chairman, as you know, UNICEF's program is based largely upon empowering parents, particularly women with the knowledge of the Child Survival and Development Revolution. Women will play a crucial role in the achievement of UNICEF's global goals for reducing infant and child mortality and morbidity rates. Therefore, UNICEF has been increasing its support to programs that yield direct social, health, and economic benefits to women living in poverty--for their own well-being. This is in recognition that improvement of women's lives is a necessary prerequisite for social development and for the well-being of children.

Many millions of the world's mothers are permanently in poor health. To take one indicative example, almost half of the women in the developing world are anaemic. Among pregnant women, that figure approaches 70 percent. Usually, the cause of this is not a specific illness; rather it is a general condition termed 'maternal depletion.' Maternal depletion is caused by too much work and too little food combined with too many pregnancies too close together. A remedy for this condition is education and literacy. Over the next three to four years UNICEF will give increased support to female education. In addition, the dimension of women in all aspects of UNICEF's general program will be subject to increased attention.

Safe Water and Basic Sanitation

Many of the deaths that UNICEF, UNDP, and other organizations are seeking to prevent are caused by water-borne diseases and lack of sanitation. UNICEF supports projects in this crucial area and continues to devote priority attention to them. UNICEF's expenditure for water supply projects has remained at approximately 21 percent of all program outlays.

Nevertheless, large areas of the developing world are still without access to safe water even for drinking purposes, and hundreds of millions of households do not have ready access to suitable water supplies. An even larger number of families -- over half -- do not have minimally satisfactory sanitation facilities. It is estimated that only one fourth of the total global needs for water supply are being met, and far less than that in terms of sanitation. Household water supply and improved sanitation, therefore, remain basic requirements to meet the minimum standards of good health. Furthermore, recent experience suggests that there are many promising opportunities to link the organization's long-standing concern for drinking water with new approaches to social mobilization and health education, including personal hygiene and sanitation.

During the next three years, therefore, UNICEF will maintain a strong level of financial support for water supply and sanitation programs. In implementing these programs, greater attention will be given to low-cost replicability, longer service life through better maintenance and management and the child-health impact. All water supply and sanitation programs will be closely linked with programs of management and control of diarrhoeal diseases (CDD) as well as with other elements of Primary Health Care.

Adjustment With a Human Face

Mr. Chairman, in recent years UNICEF has been involved in the examination of the impact of recession and economic "adjustment policies" on children, as well as on the poorest families. During the last two years, UNICEF has increasingly focused on specific ways in which economic adjustment policies can be broadened to give more attention to protecting children and other vulnerable groups. It has become evident that adjustment policies adopted in many countries have involved drastic and counter-productive cuts in income, social services, and living standards, which are having serious consequences, especially for children already living in poverty. UNICEF plans to further develop and promote "adjustment policies with a human face," working closely with international financial institutions, including the World Bank and the International Monetary Fund, as well as other international and national partners in selected countries. We are especially pleased by indications within the past year, by Jacques de Larosiere, the just-retired Managing Director of the International Monetary Fund, and Barber Conable, the new President of the World Bank, that the leadership of those institutions appreciates these people-oriented concerns. A special UNICEF study, which will be available by mid-1987, analyses how alternative adjustment strategies can be directed to protecting children and other vulnerable groups.

International Cooperation for Children

Mr. Chairman, I have devoted the lion's share of my comments here today on the activities of UNICEF. However, I would like to emphasize in closing that the accomplishments to which I refer are the result of extensive collaboration of many international governmental and non-governmental organizations. Indeed, a major by-product of the Child Survival and Development Revolution has been the unprecedented and growing commitment to international cooperation for child health and survival. UNICEF has worked closely with several agencies of the United Nations system, including WHO, UNEP, IFAD, UNDP and the World Bank, as well as with international NGOs such as the International Paediatrics Association (IPA), the World Federation of Public Health Associations, the League of Red Cross and Red Crescent Societies, the Catholic Church and Rotary International in support of global, regional, and national efforts for CSD. Other partners include the bilateral aid agencies of Canada, Denmark, France, Italy, Norway, Sweden, and the United States, religious organizations, foundations, and regional organizatons such as EEC.

These most valuable organizations, particularly UNDP, UNEP, and IFAD, which depend on voluntary contributions as does UNICEF, deserve great support in the Congress for their contribution to tsocial and economic development in many of the communities where the lives of children hang in the balance.

Among bilateral agencies, the United States Agency for International Development (USAID) has established a Child Survival Action Program and has adopted child survival as its thrust in health programs. The government of Italy has been the principal contributor to efforts to achieve UCI in 26 countries in Africa. The government of Canada has supported child survival programs and UCI efforts through its Commonwealth Fund and a special fund for francophone ocuntries in Africa, as well as significantly increasing allocations to child survival in its regular bilateral programs.

Conclusion

Mr. Chairman, the decisive actions of the congress over the past several years to preserve the level of the voluntary contribution to UNICEF, to establish and subsequently increase the funding level of the Child Survival Fund, and to earmark funds for vitamin A programs, have meant life to millions of children. Neither UNICEF nor any of the other private or public organizations involved in the child survival effort could have accomplished so much without the direct support of the Congress.

As one who speaks on behalf on an American constituency, one of thousands of volunteers, I hope that I have communicated to you today the gratitude of that constituency for your leadership.

I know that the Subcommittee, once again, faces some truly difficult choices on the foreign aid bill for FY 1988. However, I hope that the Subcommittee will consider again, as it has in the past, the tremendous accomplishments of organizations like UNICEF, UNDP, UNEP, IFAD, and others in making life possible and bearable for millions in the developing world.

In light of the accomplishments I have touched on today, I urge the Subcommittee to:

1. Recommend, if at all possible in these difficult times, at least a slight increase in the appropriation for UNICEF in FY88.

2. Protect the funding level of the international organizations and programs receiving voluntary contributions from the United States, particularly UNDP, UNEP, and IFAD.

3. Protect the funding level of the Child Survival Fund currently at $75 million.

Thank you, Mr. Chairman, I would be happy to answer your questions.

RELEASE OF FUNDING TO UNICEF

Mr. COLLINS. Thank you very much, Mr. Foreman.

I hope you were here earlier today to hear the comments offered by others in support of UNICEF's activities. We know of many of the things that you have mentioned as a result of Jim Grant's work, coming to see us and presenting the various activities that UNICEF has undertaken.

Senator Inouye regrets very much that he was unable to be here. He has, as you know, been assigned additional duties by the Senate leadership. One of the things that he has asked me to ask you about is more of an esoteric matter having to do with the release of funding to UNICEF.

The impression here is that when we appropriate the funds, and they are signed into law, they become readily available to you for your use, but we understand that there has been some delay in the release of these funds over the past several years.

Mr. FOREMAN. That is also my understanding. I am not truly an expert in this particular area, but it is my knowledge that UNICEF, like my own international union, I just say, spends all of the money that it receives. When there is a cash flow problem, it is immediately felt in the field.

If there is anything that the subcommittee can do or the full committee can do to accelerate the input into the process, I know that it would be genuinely appreciated.

Mr. COLLINS. I wonder if you might submit something for the record, giving the details of UNICEF's view on the release of funds, and how it has hampered your activities.

Mr. FOREMAN. We will be very happy to do that.

[The information follows:]

UNICEF

Problem

On a number of occasions over the past 2 years, the U.S. Government has failed to make timely delivery of expected quarterly installments of the voluntary contribution to UNICEF. In addition, often the actual receipts do not match the amount pledged or previously agreed upon for the installment. UNICEF, in accordance with long established Executive Board policy, does not maintain a cash reserve. Resources are generally committed to field programs even before they are received. Therefore, late delivery of pledged general resources, particularly on the part of a major donor, result in serious cash flow problems for UNICEF. On one occasion in 1986, a delay in the delivery of the U.S. contribution brought the organization's general resources liquidity down to less than $200,000, an amount insufficient to meet its obligations.

Examples

For example, the last installment of the fiscal year 1986 U.S. contribution, expected in September or October 1986, was not delivered until January 1987. By the time the installment was received, the general resources cash balance had dipped to uncomfortably low levels. In 1985, $45 million of the $52.8 million total contribution was received by the end of the year. The remaining balance ($7.8 million) was delivered several months later.

In 1986, following discussions between UNICEF and the U.S. Mission, delivery of the U.S. Government's first installment for the year was expected in January. Unfortunately, due in part to the Gramm-Rudman rescission request, the first payment was not received until June of that year. Although it was slightly larger than the original amount discussed for that first installment, its late arrival resulted in a drop of UNICEF's general resources cash balance to less than $200,000.

Mr. COLLINS. Thank you very much.

Mr. FOREMAN. Thank you very much.

Mr. COLLINS. We will next hear from Mr. Ted Weihe, the executive director of the U.S. Overseas Cooperative Development Committee.

U.S. OVERSEAS COOPERATIVE DEVELOPMENT FOUNDATION

STATEMENT OF TED WEIHE, EXECUTIVE DIRECTOR, U.S. OVERSEAS COOPERATIVE DEVELOPMENT FOUNDATION

ACCOMPANIED BY CHARLES F. DEAN, COOPERATIVE HOUSING FOUNDATION

MOVEMENT OF AID TO NONGOVERNMENTAL CHANNELS

Mr. WEIHE. Good afternoon. I am accompanied by Charles Dean, the president of the Cooperative Housing Foundation. I will be very brief. My testimony has five points to it, most of them are commending the committee for the work they did last year.

The first area has to do with our concern and interest in moving aid in our foreign aid program into more non-governmental channels. By non-governmental channels, we mean all types of non-governmental approaches for the delivery of development assistance.

We believe that in this time of reductions, the reduction should be in the government to government side of our aid program, and a greater focus and emphasis should be in these non-governmental channels, both local and indigenous organizations, as well as U.S. PVO's and cooperatives.

I think that it is rather astounding to find out that in fiscal year 1985, only 13.2 percent of development assistance expenditures were funded directly in the non-profit, private sector.

If you look at the whole administration's economic request of $9 billion, only 9.4 percent of the total is what we would call people to people programs, such as the Peace Corps, PVO's, InterAmerican foundations, and of that only 3 percent goes through directly to PVO's and cooperatives.

We would like to see the committee continue to try to preserve that part of the pie as reductions are necessary in foreign aid.

RELATIONSHIP BETWEEN PVO'S AND AID COOPERATIVES

Second, there are a number of initiatives in the Senate Foreign Relations Committee authorization bill, our testimony notes them, that strengthen the relationship between PVO's and cooperatives in aid. It raises the floor somewhat. It would codify in the authorization the privateness test, which this committee has been concerned with since 1976. We commend that for you support.

Within the PVO relationship and cooperative relationship, the touchstone of that relationship is with the Office of Private Voluntary Cooperation. We would like the committee to express strong support for that office in its budgetary line item, including cooperatives there.

Third, we are very supportive of efforts to increase funding to Africa. We do have some concerns with the Kasten-Kennedy-Simon and other Members' bill. One concern is that while it is not precluded, the focus is on very small scale. While we believe that the dollars are limited, we should not preclude our foreign aid from dealing with larger scale activities, particularly with the great infrastructure needs in Africa.

FOCUS ON URBAN SECTORS

Finally, there is really no focus in the bill on the urban sectors. Africa is quickly urbanizing, and we believe that there are some limited programs in the urban areas, particularly shelter-related, that need to be focused on, and they are omitted from the legislation.

We give some examples, in our testimony, of private sector cooperative approaches in Africa that we have managed.

ENERGY PROGRAMS

Fourth, AID for some time has cut back energy programs substantially. They were around $200 million during the Carter period, and now they are down to less than $35 million. We believe that that problem hasn't gone away, and we believe that the committee's interest and concern, not only to maintain energy programs, but a strong central office at $10 million, is essential in order to maintain a focus on these very difficult problems of energy.

We also want to thank the committee for its support for Central American Rural Electrification Program.

DAIRY DEVELOPMENT PROGRAM

Fifth, we also want to thank the committee for its support for Dairy Development Program. That program is going along quite well. The major problem with it is that USDA has stated that the allocations for the dairy surpluses have been made. In order to make the developmental impact of dairy, we need both the dollars of this legislation and the surplus dairy products, and the idea is to bring them together so that we can get more impact out of both Public Law 480 and U.S. limited resources.

We would like to encourage the committee to put in some report language to suggest that in the surplus dairy programs, such as 416 and Public Law 480, that a higher priority be placed on their use in conjunction with development programs.

Chuck Dean has a couple of words, while we still have a moment here.

U.S. FOREIGN AID CHANNELED THROUGH COOPERATIVES

Mr. DEAN. I would like to give just one example where cooperatives are being used as a channel for American foreign assistance as a complementary effort to normal government-to-government channels that AID has used around the world for the last 20 years.

In Central America, the Kissinger Commission recommended that a major change should be made and that some of America's foreign aid should be channeled through the private sector, and not always through government agencies. As a result of that, our organization, the Cooperative Housing Foundation, received a $10 million grant in 1985 for self-help housing and community development in very poor villages of Central America, as well as urban squatter settlements.

We have extensive reports on this, which I will submit to the committee, for the record, but briefly this $10 million grant has now grown to $16 million with additional resources from the credit unions in Central America, the Housing Cooperative, and other groups.

The program is reaching people on the income distribution pyramid in the 20th to about the 35th percentile. It means that we are in the high lands of Guatemala making home improvement loans in Indian villages for $500, to put in a new floor or a new roof, and that is it.

The top of the line may be Panama, where housing is being done for about $5,000 through cooperative groups.

Within the 2 minutes, I can't go into much more detail except to say that this is a unique program. It has not been done before, where money has come from AID and Washington to a private U.S. foundation, and then it is going directly to private groups in Central America, and to the people. The result is amazing as to how quickly the money is going out, how quickly the money is coming back. Repayments are 100 percent. They are not treating this as a gift. The money then creates the funds from which additional loans can be made.

We think that it is an example that will work not only in housing, but in other fields, and move money faster. It is more in keeping with the tradition of this country of working in the private sector, instead of always using our aid money to prop up government bureaucracy.

Thank you.

[The prepared statement of Mr. Weihe follows:]

U.S. Overseas Cooperative Development Committee

PREPARED STATEMENT BY TED WEIHE

EXECUTIVE DIRECTOR

Mr. Chairman, I appreciate the opportunity to testify before this Subcommittee on the foreign assistance appropriations for fiscal year 1988. I will briefly summarize my testimony and submit the entire statement for the record.

In developing countries, cooperatives offer poor people a way to help themselves with a minimum of outside assistance. The cooperative concept is readily accepted and understood throughout the developing world. Cooperatives can be used to increase productivity in both rural and urban areas. They can help small farmers pool their resources to achieve economies of scale in order to purchase fertilizer, seed, and farm implements; transport goods; expand their markets; and acquire electricity. They can help urban people with self-help home improvement or small business enterprises through credit unions. Experience has shown that low-income people will save and contribute their limited resources to a cooperative enterprise because they view it as an opportunity to advance economically.

1. We want to commend the Subcommittee for its report language last year which places the emphasis within AID programs on non-governmental channels of assistance:

> Private Voluntary Organizations. The Committee strongly supports private, nonprofit channels of assistance as an effective means of enhancing U.S. bilateral assistance to developing countries. It is the belief of the Committee that private voluntary organizations, cooperatives, and other nonprofit private sector organizations' programs are highly effective and often better able to reach the poor than other types of foreign assistance. Private channels of assistance mobilize both human and financial resources to augment official U.S. Government assistance. Accordingly, in implementing the Committee's recommendations, the Agency is strongly encouraged to maintain funding through private voluntary organizations, cooperatives, and other nonprofit avenues of assistance at last

year's levels with reductions in development assistance accounts targeted to governmental assistance channels where possible.

AID continues to rely heavily on government-to-government development programs. A recent AID study indicates that, in FY 1985, only 13.2 percent of development assistance expenditures, including ESF project assistance, was provided directly through private sector organizations. (Source: AID's Assistance to Private Sector Development, KMA & Associates, Inc., Middleburg, Virginia, March 1986.)

Government-to-government programs offer a number of significant benefits in meeting U.S. foreign assistance objectives. They are politically attractive in some countries, especially as a means of enhancing U.S. security interests, facilitate the management of large-scale programs, and support government services in education, public health, and research.

However, in our opinion, there is an imbalance of funding between government and private sector approaches. Government-directed U.S. foreign aid may thwart economic progress in some developing countries by strengthening public bureaucracies and stifling economic growth through an overemphasis on public rather than private development initiative. Often, U.S. foreign aid loans and grants to host governments are backed up in pipelines around the world.

Reviewing the Administration's FY 1988 request for all economic assistance programs of over $9 billion dollars, only 9.4 percent is what we would describe as people-to-people assistance through private channels (see chart - Attachment 1). About 3 percent of these funds support and supplement private resources made available by private voluntary organizations (PVOs) and cooperatives. In making reductions required by the Budget Resolution, we urge the Subcommittee to include again specific language to preserve these more effective non-governmental channels and target cuts in government-to-government assistance programs.

2. **We support provisions in the Senate Foreign Relations Committee bill, S.**

1274, which provide for the fuller utilization of PVOs and cooperatives in U.S. bilateral economic assistance programs. Among the initiatives is a renewed focus on the advantages of people-to-people approaches through the greater involvement and funding of PVOs and cooperatives, without compromising their private and independent nature. This policy language notes that PVOs and cooperatives reflect American values and generosity, leverage public funds with private resources, and build long-term friendships for the United States.

The legislation increases the PVO and cooperative funding floor in AID programs from 13.5 percent to 15 percent in FY 1988 and sets a funding target of 20 percent for the next four fiscal years. The 1988 Congressional Presentation indicates that AID expects to exceed the new funding floor with 16.9 percent of AID funding proposed for PVOs and cooperatives. The bill also places into permanent statutory language the current Appropriations Committees' formula for the so-called privateness rule, which requires that at least 20 percent of a PVO's funding shall come from non-U.S. Government sources. We urge the Subcommittee to include report language which encourages AID to work diligently to achieve the higher funding target of 20 percent and to retain the PVO privateness rule without changes.

In order to fulfill these objectives, we especially support the centrally funded programs of the Office of Private and Voluntary Cooperation (PVC). This focal point within AID for a "public-private partnership" strengthens independent programming by PVOs and cooperatives which makes possible global programs such as child survival and cooperative development. Specifically, we urge inclusion of report language similar to last year's bill:

> Cooperative Development. The Committee is also concerned about AID reductions in central support for six U.S. cooperative development organizations which bring self-help, democratic development to low- and moderate-income people in developing countries. The AID-U.S. cooperative partnership stretches back 25 years and reflects numerous legislative mandates to fully utilize the expertise of U.S. cooperatives in economic assistance

> programs. While presently scheduled reductions in central funding may be appropriate given current budgetary constraints, the Committee would strenuously oppose further cutbacks or moves to eliminate central funding for U.S. cooperative programs.

Through report language, we urge the Subcommittee to support funding of AID's central PVO/ cooperative programs at $48 million in FY 1988, with at least $6 million for U.S. cooperative programs.

3. We want to underscore the support of U.S. cooperatives for increased assistance to Africa. There is evidence that we are entering an era of opportunity for Africa. At a time when many African countries are reconsidering their failed policies and moving toward approaches suggested by Western development agencies, the U.S. must be prepared to respond with an adequate level of development assistance.

We are extremely concerned about the African food crisis. U.S. cooperative development organizations active in African agricultural development include Agricultural Cooperative Development International (ACDI), the National Cooperative Business Association (NCBA), Volunteers in Overseas Cooperative Assistance (VOCA), and the World Council of Credit Unions (WOCCU). These organizations are working on "grass-roots" solutions to help improve food production, distribution, and marketing.

While we support an emphasis on "grass-roots" agricultural production, we believe that development strategies in proposed African legislation should allow flexibility for larger scale programs. Limited initiatives on larger scale programs are needed to overcome key development gaps. There is broad agreement that it was an incorrect policy for some African countries to invest their limited resources in capital-intensive investments like steel plants when there was no market for steel or raw materials. But it may be equally inappropriate to go to the other extreme and eliminate any U.S. role in appropriate larger scale investments.

A sound development strategy must address the long-term African need for increased communications, electricity, irrigation, major roads, housing and other community services. The issue for U.S. policymakers is how best to utilize relatively small amounts of assistance to effectively address these needs. We believe that selective U.S. development assistance funding for institution-building, feasibility studies, project analyses, and training of key personnel can help to ensure that investments in large infrastructure projects by governments, multilateral banks, and other international organizations are effectively and efficiently undertaken and implemented in a sustainable manner.

For example, rural electrification was critical to rural economic development in the U.S. and other developed countries. The U.S. Government has played a key role in bringing rural electrification to dozens of developing countries, most notably on a countrywide basis in the Philippines and Bangladesh. In neither case was the U.S. the major financial contributor to these programs. Rather, we helped design the overall strategies, built institutions similar to the Rural Electrification Administration (REA) in the U.S., trained key people involved in the program, helped organize rural distribution cooperatives and provided some "pump priming" financial support to begin system construction. In these projects we brought to bear our best expertise based on a highly successful U.S. model.

Rural development should be the major focus of AID's efforts in Africa. But urban shelter and related small-scale enterprises are also important because housing creates jobs faster than any other activity. Self-help, upgrading projects are important to other sectors as well. For example, 80 percent of Africa's infectious diseases are spread by contaminated water; most housing programs include the provision of clean water. Better shelter is also important to basic education for children who need to live in decent, safe, and sanitary conditions.

We do not suggest major AID investments in housing programs, but that AID continue to expand successful low-cost, self-help upgrading programs for squatter housing. For example, the Cooperative Housing Foundation (CHF) is assisting Botswana to undertake a major commitment to affordable self-help squatter settlement improvement which is generating significant employment opportunities through housing activities. In Lesotho, CHF has developed successful small enterprises for the production of building materials, in this case displacing South African companies. These small enterprises contribute to the development process, benefit people with economically priced indigenous building materials, and provide important employment opportunities.

Attachment 2 to our testimony presents examples of how our member cooperatives have introduced more efficient private sector programs and training in the rural agricultural, credits and housing sectors in Africa.

4. Congress should reaffirm its concern for energy development in view of the significant and disproportionate reduction in AID spending for energy over the past few years. This decline is the result of the public's mistaken belief that energy supply is no longer a problem. Gas lines have disappeared in the U.S., but energy is a problem of crisis proportions in many developing countries. A combination of oil imports and energy investments is a major contributor to balance of payments difficulties in these countries. In India, Kenya, Pakistan, El Salvador, and Jamaica, oil imports use up over half of all export earnings. In Central America, the power sector alone accounts for roughly one-quarter of public foreign indebtedness.

Energy shortfalls are causing a serious constraint to development in over half of all AID-assisted countries. Several key AID countries, including Pakistan and the Philippines, are facing severe power shortages. And in virtually every AID country, there is a critical energy problem in the rural sector. It is for this reason that we urge the Subcommittee to again include report language to maintain a strong AID central Office of Energy with minimum funding of $10 million in FY 1989.

In Central America 85 percent of the rural population, or over 10 million people, have no access to electric power. A recent study prepared by the National Rural Electric Cooperative Association indicates that the absence of electricity in rural Central America is constraining agricultural output and off-farm employment growth.

Therefore, we commend the initiative by the Subcommittee last year to fund the Central American Rural Electrification Support Project at $5 million beginning this year. Currently in progress, the project focuses on improving technical, organizational, and managerial approaches to rural electrification in order to facilitate increased public and private investment in this vital subsector in the coming years. We urge the Subcommittee's continuing support for this effort.

5. We support continuation of the dairy development earmark which provides that up to $5,000,000 of development assistance funds be utilized "for new development projects of private entities and cooperatives utilizing surplus dairy products." The intention is that AID support projects that utilize PL 480 and/or Section 416 dairy commodities to boost milk and dairy product consumption, help build markets for U.S. dairy products, and strengthen agricultural development efforts.

During fiscal 1986, AID committed $5 million for the following activities:

- o Guatemalan dairy development study and follow-on project using surplus dairy commodities - ($1.2 million)
- o Belize - ($0.3 million)
- o Mexican and Haitian projects to promote distribution of surplus dairy commodities - ($1.4 million)
- o Land O'Lakes projects worldwide - ($2.1 million)

The Land O'Lakes program will expand and encourage private sector agribusiness activity in developing countries, with particular emphasis on dairy production, processing, and marketing, and encourage the use of surplus U.S. dairy products in developing countries. During the first six months of these activities, efforts have been undertaken to evaluate and recommend how surplus U.S. dairy commodities can be used for development projects in Jamaica, the Dominican Republic, and Pakistan.

Technical assistance is being provided for projects using U.S. dairy commodities in Ecuador and Mozambique. An initial study has just been completed in Uganda. Expressions of interest and requests for assistance have been received from Honduras, El Salvador, Indonesia, Bangladesh, Bolivia, Kenya, and Senegal.

In Guatemala, the National Cooperative Business Association (NCBA) has analyzed the Guatemalan dairy sector with a view to increasing the consumption of milk products by the Guatemalan population. In collaboration with Land O'Lakes, NCBA has completed this in-depth review and proposed a project funded by development assistance and local currency generated by the importation of Section 416 commodities (both cereals and dairy products). Attachment 3 describes this Guatemalan dairy project.

However, these efforts have been adversely affected by the fact that U.S. surplus milk supplies vary - seasonally and with U.S. domestic dairy policies and developmental uses of dairy surpluses are not given a high priority by USDA. We urge the Subcommittee to include report language in this year's bill that a strong priority for surplus dairy commodities shall be assigned to these innovative economic development efforts which also strengthen long-term U.S. dairy markets.

In conclusion, U.S. cooperatives want to express our appreciation to this Subcommittee for its strong support for overseas cooperative development programs.

Thank you.

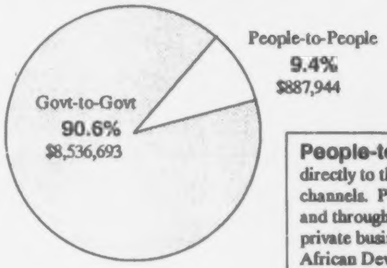
Attachments: a/s

ATTACHMENT 1

Government-to-Government vs. People-to-People Channels

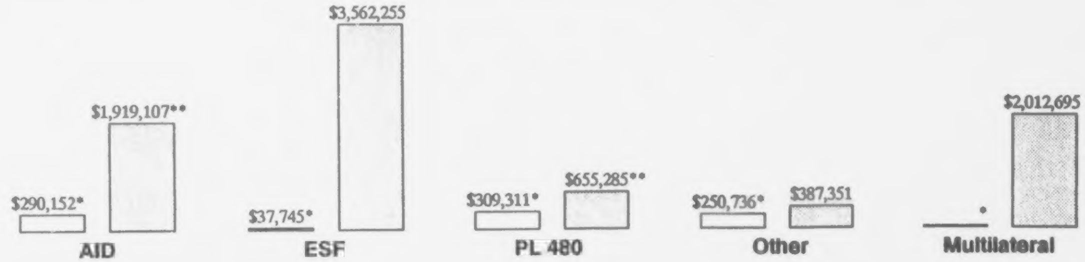
U.S. Economic Assistance Request -- FY 1988

Total: $9,424,637
(all figures in thousands)
SOURCE: FY 1988 Congressional Presentation



Government-to-government refers to programs which are principally provided on a government-only basis, including U.S. security assistance (ESF), multilateral banks, United Nations, and PL 480 sales.

People-to-people refers to channeling assistance directly to the poor outside of the usual governmental channels. People-to-people includes assistance by and through U.S. and indigenous PVOs, cooperatives, private business, Peace Corps, Inter-American and African Development Foundations, PVO-operated refugee aid, American schools and hospitals, disaster aid, food-for-work, etc.



AID: *PVO/Co-op, ASHA, disaster assistance
**Some of $426,810 administrative costs attributable to managing PVO/Co-op activities

ESF: *PVO/Co-op "projectized" ESF

PL 480: *Title II PVO/Co-op programs
**Title I sales

Other: *Peace Corps, IAF, ADF, PVO-refugee

Multilateral: *UNCDF, small projects/IDB

Attachment 2

Examples of Private Sector Cooperative Programs in Africa

1. National Cooperative Business Association (NCBA)

In Rwanda, the Local Crop Storage Project will construct 39 90-ton grain storage units for small multi-purpose cooperatives by the end of 1987. The addition of storage units allows cooperatives to reduce post-harvest grain losses as well as offer their rural members marketing alternatives and price stabilization.

Besides construction activities, the Project offers operating loans to the member cooperatives. Over $130,000 has already been distributed to assist with grain purchasing.

Recognizing the need for substantial training of cooperative leaders and managers, cooperative organizers and donors in 1981 began developing the Cooperative Training and Research Center primarily through grants from AID and the government of Switzerland, with land and other inputs provided by the government of Rwanda. The Center, established as a private, non-profit organization, has been in full operation since 1984 and has held more than 15,000 days of participant training. Training courses are offered to cooperative managers and board members on financial management, cooperative organization and cooperative law.

NCBA also has other projects underway: providing technical assistance to cocoa, coffee, and food production cooperatives in Equatorial Guinea; revitalizing the cooperative movement through the Cooperative Training and Inputs Supply Project in Niger; and establishing a cooperative marketing project in Somalia.

2. Agricultural Cooperative Development International (ACDI)

Since 1963, ACDI has provided technical assistance for various sectors of the Ugandan cooperative movement, including management, credit, education and livestock production.

The objective of ACDI's program is human development, with ACDI's technicians working primarily in an advisory capacity. ACDI's involvement with the Ugandan cooperative movement has been marked by on-the-job, in-depth, person-to-person relationships stressing cooperative training and the development of project participants to their fullest capabilities.

A strong cooperative movement was established during the first ten years of ACDI's assistance from 1963-1973. This movement proved capable of surviving the destruction of the Idi Amin regime and subsequent revolutions and wars of retribution.

In 1981, following Amin's deposition, ACDI again provided technical and training assistance to the small farm sector, which produces the bulk of Uganda's food and foreign exchange. The Food Production Support Project focused on distributing needed agricultural inputs and providing in-country and overseas training in planning, management, accounting and other specialized areas.

ACDI's current efforts are centered on establishing an institution capable of providing Uganda's small farmers with production credit through the cooperative system. The Uganda Agricultural Finance Agency (UAFA) is being created jointly by the Bank of Uganda and the cooperative sector and is expected to begin providing credit services by the end of this year. This collaboration will make the agency sensitive to the credit needs of small farmers while providing a viable financial link to Uganda's commercial banks and financial markets.

3. Cooperative Housing Foundation (CHF)

A CHF project in the mountain Kingdom of Lesotho illustrates growing self-reliance in local shelter efforts.

The Basotho, as the inhabitants of Lesotho call themselves, have maintained a tradition of entrepreneurial ability. Supported by international donor agencies, they have developed a successful enterprise for the production of building materials.

In the past, the Basotho built their own homes of mud and stone with thatch roofs, which had been gradually replaced through the use of modern South African building materials. In recent years, however, self-reliance in housing has been regaining its original place in Lesotho, both in regard to local building materials and labor.

Lesotho's increasing self-reliance in the production of building materials and housing demonstrates the success of foreign financial and technical assistance in the development of a local organization to carry out the new housing programs.

The project survived many crises and shows that there is a strong need for businesses which manufacture needed materials and create jobs. That the operation has succeeded is something of which the Basotho can be proud. After technical assistance terminated, both commitment and hard work continued to be required to guarantee its permanent success.

In Lesotho, U.S. assistance funds have been effectively utilized to bring to life the concept of the small- and medium-sized enterprise which contributes to the development process and ultimately to the benefit of people in need of its economically-priced products.

4. World Council of Credit Unions (WOCCU)

Credit unions are private-sector, democratically-controlled cooperatives which mobilize savings and provide credit to members for provident and productive purposes. They are often the only financial institution available to low- and moderate-income people. For example, in Lesotho, credit unions are one of only two national institutions which reach 80% of the rural population. Seventy-five percent of the cooperative members are women -- the mainstay of Lesotho's agricultural economy.

Banking institutions are unknown in rural areas and the credit unions are overcoming the vexing reality of substantial non-payment on agricultural credit loans. Because the tribal society is closely knit and treats one another as relatives, it is hard for a creditor to collect loans, especially when there has been a poor harvest.

This AID-assisted project directly reaches low-income people through non-governmental channels. It is supported by a worldwide credit union system. Technical help is provided by the African Cooperative Savings and Credit Association, an African-wide confederation, and the World Council of Credit Unions.

Credit unions provide an alternative funding approach to the usual top-down government lending. Self-reliance, through savings and the collection of outstanding loans, is more evident because members own their financial institution rather than receive credit from an impersonal government bank.

5. Volunteers in Overseas Cooperative Development (VOCA)

Through the help of a highly qualified cooperative volunteer, the government of Zimbabwe and AID recently provided a grant of $240,000 to the private Farmers Co-op, composed of 4,000 "European" farmers, for the provision of technical assistance to 850,000 black farmers through their 568 farm supply and marketing cooperatives. The project is a breakthrough in black-white relationships in a fragile political environment where most agricultural production continues to be controlled by large European farms. Meanwhile, Zimbabweans, many of whom are ex-combatants, are trying to gain the rewards of their revolution through cooperatively-based economic development.

The project came about as a result of a study by Roy Wiebe. Under the auspices of VOCA, Mr. Wiebe, a former president of Western State Farmers Association in Seattle, undertook an analysis of the warehouse system for agricultural supplies and inputs of the small farmer cooperatives. AID had assisted in the construction of the warehouses, but they were not operating properly due to a lack of technical assistance and training. Working quietly with the successful European cooperatives, Wiebe guided the proposal for collaboration of the two cooperative federations through the political thickets. His prestige and experience as a US-cooperative CEO made the project possible. The project demonstrates the catalytic role that volunteers can play in bringing about significant government-sponsored programs, in this case, through the use of a private cooperative organization rather than a government ministry.

Attachment 3

Guatemala Dairy Development Project

The National Cooperative Business Association/Land O'Lakes project will undertake a series of interrelated actions to increase domestic marketable milk supply, improve quality of product and efficiency of operations, and increase consumption of milk products by the Guatemalan population.

At the off-farm marketing level, these actions include:

- De-control of prices to encourage increased marketings from dual purpose cows, more cooling of milk and improvement of quality, and reduction of the seasonal variation in production through conservation and use of forage, improved herd management, etc.
- Gradual establishment and enforcement of quality price differentials (premiums and penalties) as an incentive to improve cooling, handling, and transportation facilities, and to pay off debts incurred in establishing these facilities. These differentials would be implemented by agreement between the processing plants and the producer groups without GOG intervention, and should be introduced as prices advance at the end of the rainy season. This action would be coupled with a campaign to educate producers as to the individual benefits as well as societal rewards of improvements in quality.
- Strengthening of dairy farmer associations and enabling them to increase the quality of milk handling and transport through establishing on-farm cooling systems, community collection centers, and community-controlled transportation operations. Credit would be provided to initiate these.

At the farm production level, these actions include:

- Creation of a dairy herd record-keeping system, such as the Dairy Herd Improvement Association program in the United States, to systematically focus on genetic improvement and better herd management.
- Increase in the levels of credit, technical assistance in the areas of forage production and conservation, herd management, and on-farm handling, and animal health services.
- Implementation of measures to increase the availability of feed concentrate to increase year-round production. One measure might be the import of soybeans or other commodities under the Section 416 Sugar Quota Compensation Program.

At the processing level:

- Concentration of technical and other interventions in the raw milk processing sector. Provision of technical assistance, training, and credit for working capital and equipment to many small registered and unregistered cheese, cream, and butter manufacturers to help them improve efficiency, raise hygiene, diversify product lines, extend shelf life, and expand volume of production.

- Refraining from expanding pasteurization capacity. The GOG should consider closing PROLAC's fluid milk operations and instead should buy fluid milk during the wet season, dry it, and instantize it for sale during the dry season. This might be done in collaboration with major private processors, buying their surplus production, processing it, and returning it under "private label."

At the GOG policy level relating to supply and demand:

- As recommended above, full de-control of milk prices.
- Establishment as a national goal the stabilization and eventual reduction of commercially imported subsidized dairy commodities. Formal adoption of a plan of action and timetable in conjunction with the private sector to achieve this objective.
- Establishment of a monitoring mechanism to quantify the commercial and non-commercial import of dairy commodities, and their use by sector, and on the basis of this information provision of advice to the GOG on dairy policies and actions to implement.
- The eventual establishment by the GOG of an offsetting tariff on subsidized commercial dairy imports to the extent of the subsidy, as a means of assisting the domestic dairy industry.
- Alternatively or complementarily, requiring the labeling of reconstituted milk and placing an excise tax on the product to encourage the use and consumption of domestically-produced powdered milk.
- Implementation of legislation to create an autonomous representational body of private and public sector agencies interested in the dairy sector, such as the proposed reform involving the Consejo Nacional de Fomento Lechero, being careful to encourage--not stifle--competition.

  Alternative organizations of producers, such as the Guatemalan Association of Livestock Producers, also exist and might be suitable participants.
- Gradual improvement and enforcement of quality standards on milk and milk products--both raw and pasteurized--in partnership with the private dairy industry--both producers and processors. Implementation of legislation and approval of a budget enabling GOG agencies to enforce existing or improved sanitation and labeling standards. Training DIGESEPE and other GOG personnel as well as private processor staff in these areas to protect the public health and minimize the danger of epidemics and contamination.

At the consumption level:

- Establishment of a national dairy organization (such as the monitoring entity proposed above) to define a national dairy consumption campaign. Techniques might include school education working with the medical professions and health organizations, sales clerk education, upgrading of store displays, distribution of recipes, etc., and be financed ultimately by a check-off system at the plant. Special programs for public and private employees, or special promotions (e.g., coupons) might be considered.
- Performance of market research for new milk products appealing to each identified consumer segment. Possibilities include a lactose-free UHT milk (for which equipment can be leased from a company in the United States, thereby saving on initial capital costs), as well as various fruit- and sugar-flavored drinks.

LOCALLY PRODUCED MATERIALS

Mr. Collins. In the high lands of Guatemala, for example, do you require that the materials be locally purchased so as to generate jobs there as well?

Mr. Dean. As much as possible, materials are either made or purchased locally. In this case, in the high lands of Guatemala, adobe is still used often, and the adobe is purchased locally, creating some jobs locally. The roofing material is purchased in Guatemala City. It is asbestos cement, which is locally produced, so it doesn't cause any foreign exchange problems.

Mr. Collins. Thank you.

MICRO ENTERPRISE BILL

Mr. Weihe, what are the views of your organization of the DeConcini micro enterprise bill?

Mr. Weihe. I testified in the House on the bill, the original bill over there, and we had a great deal of problems with the original bill. We felt that we made great progress in terms of making it a more reasonable piece of legislation.

My groups are quite concerned about the targeting in the bill, and we would oppose the legislation in terms of that targeting approach. We do not believe that it is appropriate in this type of legislation to straitjacket programs, levels of funding, and targeted groups. It just won't work. The world is not that simple. We have some of the most successful programs in the world. He talked about one that was $500 loans, and that would be ineligible because of the targeting at $300 or $150. You are talking about eligibility levels that are very small.

We have great concerns. In fact, particularly credit unions in the housing area, we have done more micro enterprise lending than all other groups combined over the years. We think that you have to put the resources into the local institutions. In fact, when you are doing micro enterprise lending, we think that it should go to a cooperative or a similar organization. But the idea of the U.S. Government essentially getting into the retail business at that small a level, I really don't believe that they have the staff or the capability of doing it.

At this point, we would have problems with that legislation. We are not opposed to the concept, it is a good concept, but we would definitely have problems with the targeting in particular.

Mr. Collins. Having to do with the ceiling on income and the ceiling on the types of loans?

Mr. Weihe. Yes, and we think that we really need to shift the focus into building institutions as the PVO's, and others have done. Let's build those institutions to do the lending. Let's not try to essentially develop programs ourselves or governments to do it. We really need strong credit unions or people organizations, and I think that this is where foreign aid could be more effectively spent in the micro enterprise area.

Mr. COLLINS. Thank you very much, gentlemen.

We will next hear from Ronald S. Kokinda, National Democratic Policy Committee.

NATIONAL DEMOCRATIC POLICY COMMITTEE

STATEMENT OF NICHOLAS BENTON, NATIONAL DEMOCRATIC POLICY COMMITTEE

U.S. STATUS IN OVERSEAS POLICIES

Mr. BENTON. I am Nicholas Benton, and I am here on his behalf.

Rather than just read from the prepared text, I would just like to make some remarks that I think amplify portions of it.

It seems rather ironic to us that with all the attention that Congress and the administration have given to the issues of trade, to the need to provide stop gap measures, to maintain the liquidity of our Federal budget at this time, and to initiate competitiveness programs, that the approach that is being taken in foreign assistance right now is basically going to negate the effects of all of these efforts. By that, I would mean the growing momentum in the developing sector to respond to the international debt crisis through the declaration of moratoria, through the refusal to repay debt, and through leaving large sections of the developing sector open to exploitation by other interests, apart from the United States.

I would point out to you that the Organization of African Unity is meeting right now, and among their proposals is a proposal to restrict the repayment of foreign debt obligations, particularly to the United States, to only 20 percent of their foreign earnings.

Also, I don't have to remind you of the measure taken in Peru just 2 days ago to nationalize the banks there. Peru is not a major debtor nation, but it does serve as a political leader for the developing sector, at least in terms of these kinds of issues.

While the United States, I think, is being squeezed out of the developing sector in this kind of way, to the extent that the Soviets and Soviet surrogates can be kept at bay through military means, the nations that we are seeking to compete with, such as Japan and European nations, by trade legislation, and so forth, are in fact planning to move in and take over the development of these parts of the world.

What we have to fear from Japan is not their trade imbalance with us, but the massive trade surplus that they are going to develop with the developing sector as they carry out some of the plans that they now have underway for large scale development projects in these areas.

I should point out to you that the Mitsubishi Research Institute, for example, in Japan, has done feasibility studies, at least preliminarily, on no less than 24 large scale development projects with the Third World, ranging from a ranging from a second Panama Canal, a sea level canal, to a canal across the Krau Peninsula in Thailand, to a Ganji and Rama Putra River control and diversion project in India, to a program to close the Behring Straits to prevent cold Arctic waters from coming into the northern Pacific that would change the entire potential for agricultural development in areas contiguous to the northern Pacific.

AFRICAN PROJECTS

In Africa, they have a number of projects, including one that I would like to focus on in particular for a moment, that has been discussed with leaders of African nations, and that I, myself, had the opportunity to discuss with the President of Chad when he was here recently, and that is a project to divert the Zaire River to irrigate the Sahel region of Africa.

The Zaire River has 19 percent of all the world's hydroelectric potential, and there are points at the northern bend of the Zaire River where diversion of those waters to the north, to fill the Lake Chad river basin, would make available more than enough water to irrigate virtually the entire Sahel, from Dakkar to Djibouti.

Once irrigated cropland began to be developed in that region, the appearance of vegetation would create climatic change, which would increase rainfall, and basically the Sahara Desert would recede. Far from being concerned about the growth of the Sahara Desert, and through the denuding of the existing wood and other resources there, by putting water into that region that exists in the Zaire river. In fact, in other major river systems in Africa, you could reverse that process easily.

SUPERCONDUCTIVITY DEVELOPMENT

The Japanese are also, not only considering this project, they are considering a transcontinental African railroad from Dakkar to Djibouti, which could utilize new superconductivity technology that they have already experimented with even in its primitive form in Japan itself.

Now, as we are making astounding breakthroughs in superconductivity technology towards room temperature superconductivity, the feasibility of magnetic levitative trains that could travel virtually as fast as one desires to move them to supply goods and services into the interior parts of Africa becomes absolutely feasible.

In the Middle East, there is also the program known as the Perez Plan proposed by Prime Minister Perez of Israel for a regional wide master plan of economic development for that region.

The Zaire diversion and transcontinental railroad project in Africa has been referred to generically even by President Chirac of France as a master plan, a martial plan for Africa.

The point that I am trying to make is that I believe that the Foreign Operations Subcommittee and Congress, in general, and the administration should begin to look, itself, at how the United States can play a pioneering role in large scale development projects of these kinds, now that we are entering into the era of technologies reflected by the last 2 days Superconductivity Conference here in Washington, that can enable us to do truly great things in these parts of the world. Failing to do so, we are going to find that while we are essentially squeezed out of these parts of the world entirely, those who we perceive as our competitors, not only the Soviets but the Japanese and Europeans in an economic sense, are going to gain far more economic advantage over us through developing those parts of the world than any so-called "unfair trade practices" with us directly would generate.

[The prepared statement of Mr. Kokinda follows:]

NDPC National Democratic Policy Committee

Statement of
National Democratic Policy Committee

Thank you Mr. Chairman for the opportunity to testify before you today.

The National Democratic Policy Committee NDPC) defends the principle of the inalienable rights of man. Economic growth and development are necessary to exercise those rights in any meaningful way. The NDPC condemns malthusian or negative growth economic policies, or any euphemisms such as "population control" which hinder such economic growth. Such malthusian policies are genocide.

Today we are faced with the imminence of a banking and financial crisis which dwarfs the 1930s Great Depression. The greater debt and illiquidity problem is in the advanced sector countries, but the recent debt moratorium by Brazil serves to underscore that solutions are urgently required. Reorganization of the debt and issuance of new credits to our exporters for export of hard commodity goods, must be part of a recovery package needed to avoid a very deep depression. The ExIm Bank can play an important role in such a recovery.

Population growth, economic growth, and new credits for export of hard commodity goods, must be the policy orientation of our government if solutions to the current crisis are to be successful. I have included two statements by Mr. Lyndon H. LaRouche that discuss these points in greater depth.

MALTHUSIANISM IS GENOCIDE

by
Lyndon H. LaRouche, Jr.
March 13, 1987

An editorial in yesterday's Washington Post warns Brazil to cut its population, or else. Didn't we see enough of that in Nazi-occupied Poland? The Post evidently fails to grasp the point, that merely because "neo-malthusian population policies" have become fashionable among liberals, does not mean that genocide is anything but genocide.

I suggest that the Post get off the airy realm of rhetoric, and get down to Earth. If you wish to reduce the population of Brazil, please have the honesty to publish a list of the names and addresses of the Brazilians you wish to have eliminated. Have the decency to inform them of your intent to kill them, and at least do them the courtesy of offering to publish their reply in your newspaper.

The Post echoes malthusian fanatics such as the Club of Rome and Britain's Prince Philip, in proposing that the economic woes of the developing nations are caused chiefly by an excess population. Very well, let us ask the Post to be concrete about this. Let us be fair and objective, as liberals wish to pretend to do. How much population-density is too much? Shall we begin by slashing the nation with the highest-density population, Belgium? If so, the Post should publish a list of the names and addresses of those belgians it proposes to eliminate. Or, perhaps not entire nations, but only the most densely populated portions of those nations, such as the lower half of Manhattan, for example? Perhaps the Post might suggest that the improvement of lower Manhattan might begin by killing the homosexuals, whose names and addresses the Post might be so thoughtful as to supply to Mayor Koch's public executioner?

Thanks be to the Almighty, the Post assures us that it is not an extremist publication! Perhaps, since it bestows its death-wishes upon those parts of the world with darker-skinned populations, the Post is not extremist, but merely racist.

Genocide is very respectable liberal policy today, on condition one does not label it Nazism, but merely "population control." Similarly, "euthanasia" is a Nazi tradition very much in the liberals' vogue today, provided one calls it "the right to die." In some places, we have only "passive help with dying." In other places, we have what is a called "active assistance in dying," which used to be called murder.

Meyer Lansky's murderous gang once made use of the services of a perverted wretch named Abe Reles. Today, an Abe Reles would put his trusty ice-pick into a stranger's heart, and inform the judge, "He asked me to help him to die." Would the liberal judge perhaps release such a Reles, with congratulations to the liberal impulses of the self-described samaritan?

Liberals are called liberals, it seems, because they interpret the meaning of words so liberally. "A thing is the name I give it," says our basic, modern, Alice-in-Wonderland liberal. So, the Post's appeal for genocide in Brazil is not called "genocide," since the Post liberally prefers to name it "population control."

To the substance of the matter. Is growth of population a cause of a nation's poverty? The British East India Company's Reverend Thomas Malthus, whose ancestor may have reduced the population of England by the measure of one Queen Anne, insisted that that was the case. The fact was, Malthus was a hoaxster, as nineteenth-century improvements in agriculture and industry tossed Malthus into great discredit. Ah, but our liberals of today insist, that Malthus' only error was in being a bit premature. It is today, they say, that we have finally reached the point of population-expansion, that Malthus' prophecy is being realized. Britain's Prince Philip adds that the growth of Africa's black population is spoiling the continent's attractions as a wild game preserve.

On what grounds do the Club of Rome and the Post argue that the population of Brazil is excessive? They merely assert this to be the case. You must understand, that liberals are never obliged to prove anything, except that their opinions are, or ought to be considered "respectable" among the circles in which liberals travel. Ask for proof, and they will recognize at once that you are some sort of extremist, a man of bad manners, who dares to speak out of turn in the presence of a "respectable opinion" shared among "eminently respectable people."

In fact, the population-density of Brazil is about half that of the United States. Its natural resources are perhaps greater than ours. What is the difference, which allowed us to sustain our population more or less comfortably, up to 1967- 1971, and a Brazil with half that population-density today? The difference is chiefly a matter of basic economic infrastructure: water management, general transportation, energy production and distribution, and so forth. The size of population which can be maintained comfortably on an average square mile of land-area varies with the amount of development of basic economic infrastructure per average square mile of land- area. To realize the benefits of infrastructure development, one must invest in the improved agriculture and manufacturing whose functioning existence depends upon the degree of development of basic economic infrastructure.

Ah, but the Post insists this economic development must not be permitted to occur in Brazil! So, the Post demands that the level of economic development be kept significantly below the level needed to maintain existing levels of the population. That means that the corresponding margin of population must die. In this paradisical sea of death of "the excess portion of the population," the Post assures Brazil, the international loans will be forthcoming, to make Brazil once again a happy place for foreign tourists. Gee, fellas, that was exactly Adolf Hitler's policy for occupied eastern Europe.

It comes back to me, that the fellow who put Adolf Hitler into power was named Hjalmar Schacht, the leader of the liberal's party in Germany into the beginning of the 1930s. Since Schacht was let off at the Nuremberg Trial, maybe the Post thinks it's just good liberalism to propose genocide in Brazil. I guess that the Post thinks it's all right to propose genocide, as long as the orders are issued liberally. It's just the slobs who carry out the orders, who might get into trouble.

EXPORT GOODS, NOT MONEY

by
Lyndon H. LaRouche, Jr.
March 3, 1987

The February 27th actions by the government of Brazil signal an early collapse of the international monetary system in its present form. Some of the world's leading bankers have stated their agreement with this analysis. Even a number of OECD nations' governments recognize that very sweeping changes are inevitable, and that these could come as early as some weeks ahead, or be delayed no longer than several months.

Whether Citibank likes it or not, and whether or not the Reagan administration is willing to accept this fact at the present moment, the Reagan administration is not going to get through the coming eighteen months without having to face the choice between either a sweeping reform of banking and economic policies, or the biggest world financial collapse in modern history.

...The banks are helpless. There is nothing which the banks or the IMF could do, at this stage, to bring the crisis under control. Anything the banks might attempt to do, now, would have the effect of making the crisis worse. It is now up to the governments; the banks must step out of the lime-light, and leave the decisions to the governments.

Governments have two choices. The banks would hope that the U.S. government would bail the banks out, by buying up the banks' bad paper. That must not be done; it would lead to a hyperinflation like that in 1923 Germany. The second choice for government, is to put the banks, the IMF, and the World Bank into bankruptcy reorganization. Bankruptcy reorganization is the only workable alternative...

There are effective solutions for this crisis. As President, I am fully prepared to take a series of actions which would bring us out of the crisis rapidly. Or, were another President to ask for and follow my guidance, the crisis could be overcome in the same way. I do not know whether or not my leading role is absolutely indispensable for overcoming such a crisis, but every indication suggests very strongly that my leading role is indispensable for a successful outcome,

Therefore, it is important that I explain each key point at issue in meeting such a crisis. Here, I focus upon a key feature of the economic recovery policies required, the kinds of credit-mechanisms needed to expand U.S. exports and world-trade very rapidly.

The President's and Congress's actions to stimulate such large-scale expansion of U.S. exports will occur in the setting of the following kinds of emergency financial-reorganization measures.

The U.S. President must declare an economic emergency, using the powers which the Constitution and existing law provide for such a situation. The Federal Reserve System must be transformed, in effect, into the Third Bank of the United States. The principal amount of the unpaid balance of non- performing loans on the banks' books must be frozen at that value as a matter of law, thus enabling the banks to continue day to day operations. Capital-flight and exchange controls must be imposed, to prevent banks and the dollar from being looted by speculators. The government must enter into negotiations with foreign debtors, to reschedule the repayments of principal amounts of the present debt potentially in default.

Those measures halt the crisis temporarily. The President, with cooperation of the Congress, must take a series of actions to launch rapid expansion of domestic production of physical goods, and increase of world trade. The key to this, is to increase the volume of annual U.S. goods exports by not less than $500 billions above 1986 levels. The means for accomplishing this, is to pour in new credit to U.S. farmers and industries, both to supply operating capital needed to produce exports, and to retool production for such output.

Under this arrangement, no U.S. currency leaves the U.S. We do not loan money to foreign nations; we deliver them goods on delayed-payment terms. The money loaned, is isssued to the U.S. producers of such exports, to carry them over the period until they are paid for the exported goods. The object is to provide U.S. exporting industries a minimum of $500 billions a year over the level of export-financing available during 1986.

Some might ask: "Why give these developing nations new credit, when they were unable to repay the old debts?" The question is a common one. People ask that question because they do not understand how the foreign debts of Mexico and South America became so much of a problem during the recent years. People usually make the mistake of believing that these countries' debts were caused by the countries' buying something of value. The problem is, that these countries received nothing for as much as between 80% and 90% of the total debt they are carrying today. For example, out of about $108 billions of Brazil's foreign debt, about $20 billions, at most, represents values actually received by Brazil.

We must not repeat that sort of nonsense. We must ensure that the indebted nations do not incur a penny of new debt for anything but good value imported. We are not going to loan tham a penny of money; we are going to extend them a line of credit to purchase useful things on a shopping-list of U.S. export goods. The point is to supply them with the capital goods they need to expand their manufacturing employment and to increase the productivity of their labor. We are going to help to build up their levels of production of physical goods, so that they will be able to pay for what they buy, and to invest in further expansion of their economies at the same time.

Let's look at an example of the point I am making. Suppose some investor bought up all the stores in the United States, and charged such high prices that all of the stores' customers were bankrupted, and no longer able to buy at those stores. Would you consider that investor a sensible businessman, running a business for the purpose of eliminating all of its customers? I intend to put the U.S. economy back into the export-business in a major way, and I do not intend to lose our export business by eliminating our customers. I intend to build up an expanding market for U.S. exports. To succeed, we must understand that what is good for the U.S.'s foreign customers is good for the U.S. economy.

I admit that our manufacturers can not compete with Japan's or even West Germany's on the world market. The reason is very simple; beginning about twenty years ago, we slowed down our investment in new productive technologies for our basic industry. Our industries are using out-of-date technologies, so that our labor produces less physical output per hour than labor in Japan or West Germany.

Japan has overtaken us in production technology and hourly productivity, because they have been investing in production capital goods, while we have not.

Also, the U.S. economy has the highest ratio of overhead of any major economy in the world today. Only about 20% of our labor-force is employed in producing goods; the rest are either unemployed, or employed in administration, sales, and poorly skilled services. Onto every pound of physical output of our farms and industries, we have to tack on an overhead charge to pay for all that unemployent, administration, selling, and services. In other words, on the basis of wages-ratios of costs, every U.S. dollar of sales price is loaded with about eighty cents of overhead charges.

With these two factors, we have priced U.S. goods out of the world market. Our production methods are obsolete, for lack of inestment in energy-intensive, capital-intensive forms of technological progress. As result of twenty years of a lunatic shift away from basic industry into low-grade services employment, we have the highest ratio of exceessive overhead costs of any leading economy in the world.

I intend to use increased exports of high-quality capital goods into the developing sector, as the way in which to restore our trade-balance, and, even more important, to restructure the internal U.S. economy, to shift away from employment in administration, sales, and low-skilled services, into employment in the production of physical goods.

In this way, we accommplish several things. 1) We build up the economies of developing nations, so that they can carry debt-payments at a sensible level; 2) We develop a continually expanding market for U.S. export-goods, meaning many millions additional U.S. jobs; 3) We rebuild and expand our goods- producing industries, making them again the standard of technologcal excellence; 4) We restructure our labor-force's employment, away from low-paid service employment, back into skilled, productive employment; 5) We expand the tax-revenue base of federal, state, and local government.

There are no tricks with mirrors. Wealth is quality physical goods. Wealth is produced, and produced best by upgrading the quality of employment to increase the number of people employed in producing physical goods. Productivity is increased by technological progress, which requires more energy per person, and more capital-investment in production per person. Tricks with mirrors have run our economy for twenty years. Enough of bookkeeping tricks; it is past time to go back the old-fashioned habit, of employing more people to produce more quality physical goods, using technological progress to increase productivity. That is what the indebted developing nations require. That is what we require. So, an end to the tricks, and back to old-fashioned American ways of doing things.

PERCENTAGE OF U.S. LABOR FORCE IN PRODUCTION FIELD

Mr. COLLINS. Thank you very much.

Mr. Benton, in the parent testimony that Mr. Kokinda had presented to this subcommittee, he commented that only 20 percent of our labor force, U.S. labor force, is employed and producing goods. The rest are either unemployed or employed in the service sector, or are involved in sales or industry.

Do you know how this compares to the competitors that the U.S. has? What their overhead employment might be?

Mr. BENTON. I know in the case of Japan, it is radically different. It is almost inverted. And, in the case of the United States, itself, in the period immediately following World War II, it was almost completely inverted.

In other words, what you would call the industrial goods producing work force, the percentage of the U.S. population engaged in that kind of actually wealth producing activity was approximately two-thirds of the work force.

Today, we are talking about that percentage of the U.S. labor force, of course, being one-fifth of the total U.S. labor force. If we provided the kind of incentitives for the development of the kind of large-scale projects that I just touched on here for the developing sector, this would create jobs that would be wealth creating, but substantial long-term and gainful employment for a vast majority of the U.S. work force that is now under employed, or unproductively employed.

PROPOSED COST OF AFRICAN RAIL LINE

Mr. COLLINS. Mr. Benton, on the items that you mentioned, the train from Dakkar to Djibouti. Is there any cost figures attached to any of these plans, or are they still in the conceptual stage?

Mr. BENTON. I referred to the Mitsubishi Research Institute's studies that they have put out, they have enumerated 24 projects of this kind that they intend to follow-up feasibility studies on for cost and so forth. I don't know what their figures are as to the costs involved in this.

I would only suggest now that the breakthroughs in the area of superconductivity within the last 12 months have been so spectacular that all the parameters associated with that kind of thing now have to be reevaluated. That would be truly a great idea, I think, that if the United States were to express an interest in this, that the first place in the world that we would help to construct such a high speed railroad, where trains could travel as fast as 747's can now travel, 700 miles an hour, in vacuum tubes on magnetic levitative systems that could make delivery of badly needed goods and services, emergency food for famine relief and so forth feasibly deliverable to the interior portions of Africa.

It would be quite fitting, I think, in the spirit not only of the progress that such a technology would represent for the human race as a whole, but in terms of our humanitarian interest of the plight of the people of Africa, if that kind of technology was first actually implemented there, to build a railroad of that kind. Up until now, most of the rails, as you may know, in Africa cannot be connected into a transcontinental railroad because the different colonial interests in Africa built different gauges on their railroad systems. Some argue that this was done deliberately to prevent an integrated rail system of ever developing in Africa, but you would have to literally start from scratch to build one integrated rail system of the same gauge, and as long as this is in the planning stages now, it would be inconceivable to build a conventional rail system when we now have the technology of superconductivity that could provide such a high speed train.

Mr. COLLINS. Thank you very much for your testimony.

We will next hear from Robert A. Basil, President of the American Lebanese League. It is good to see you again, sir.

AMERICAN LEBANESE LEAGUE

STATEMENT OF ROBERT A. BASIL, PRESIDENT, AMERICAN LEBANESE LEAGUE

STATUS OF LEBANESE NATION

Mr. BASIL. Thank you very much.

Today, I would like to discuss the grave concern throughout the American Lebanese community that the very life of the free sovereign nation of Lebanon is being extinguished, while the free world watches in sympathy, frustration and silence.

Why does the American Lebanese community care so deeply over what happens in Lebanon?

We care because Lebanon is the land of our heritage. We care because as good Americans we cherish American values of freedom, of life, liberty and the pursuit of happiness. As good Americans, we enrich ourselves by sustaining these values whenever and wherever they are threatened.

We care because we are convinced that it is in the U.S. national interest that Lebanon not be allowed to disappear from the community of free nations into the melancholy world of the subjugated.

I have testified 25 times before the U.S. Congress since 1978. My first testimony was given in concert with the Lebanese world-statesman Dr. Malik, so well known to you, ex-President of the U.N. and ex-author together with Eleanor Roosevelt of the Universal Charter on Human Rights.

At that time, we were imploring the United States and the civilized world to force Syria to stop its intense bombardment of the heavily populated, defenseless civilian areas of Beirut.

Last year, while I was riding the ferry to Ellis Island to receive the Statue of Liberty Medal of Honor for the American Lebanese community, along with distinguished medal of honor recipients from other communities, including this committee's able chairman, Senator Inouye, I was filled with emotion when I saw the flag of Lebanon displayed in dignity along with the flags of the nations of origin of the other medal recipients. I remember saying to Muhammed Ali next to me how close we have come to losing it.

The next 12 months are momentous and perilous for Lebanon and will determine its future for several decades. Will Lebanon be free, or an Iron Curtin satellite of Syria, or dismembered among Syria, Iran and Israel?

Over the past 12 years, indiscriminate shelling of unprotected population centers, kidnappings, torture, incarceration without due process, assassination, massive foreign troop deployment, arming of foreign nationals, none of these broke the will of the Lebanese people to resist, to keep their country.

LEBANESE NATIONAL WILL

Had any other country in the Arab world been subjected to these events, it would have collapsed long ago and likely disappeared. The Lebanese national will is a regional phenomenon.

It is this national will that is now the target of Syria. Presently, with the 600 Syrian supported artillery tubes in the mountains above Beirut silent for the moment, with the 40,000 Syrian troops now massively deployed including 7,000 in West Beirut, with car-bombing quiescent, with Syrian stimulated militia battles temporarily halted, with the appearance of Syrian imposed stability, there is now a quiet, ugly, devastating economic war being waged by Syria that is designed to accomplish what they could not do by more violent means. Namely, to break the will to resist of the Lebanese people by collapsing the Lebanese economy.

Syria is accomplishing this task by a diplomatic-economic pincers movement, by first paralyzing the government, which leads to ruining the economy and placing such hardships on the population that they eventually lose faith in and reject their own institutions. As Adlai Stevenson observed, "A hungry man is not a free man."

DESTABILIZATION OF LEBANESE POUND

The increasing paralysis of governence over the past 2 years, which finally has traumatically affected the Lebanese pound so stable during the first 10 years of conflict, is now almost total. As Senator Helms stated on June 17 on the floor of the Senate, "The acting Prime Minister, who is pro-Syrian, has called for the resignation of President Gemayel. The Speaker of Parliment, under Syrian pressure, has resigned his position and Syria has threatened the lives of potential replacements. Because the acting Prime Minister, following Syrian instructions, refuses to have the cabinet conduct business on even a caretaker basis, there is no government. Because the Speaker of the House has resigned, Parliment cannot conduct its own business. In effect, then, the government of Lebanon is paralyzed."

The success of the Syrian plan is clear. During the first 10 years, the Lebanese pound stayed at approximately four pounds to the dollar. Just 4 months ago, in April, I testified before the Congress. "Syria's determination to crush the economy and the Lebanese will to resist has resulted in the stagnation of the country's once model economic system, and the devaluation of the Lebanese currency from four to 100 per U.S. dollar." Now, 4½ months later, it is 180 to 1, almost double.

Middle income families are struggling to keep their children in schools, clothed and fed. Lower income families have barely enough to eat. Lebanon is on the verge of a dramatic international upheaval, as parents see their children and the elderly without proper nourishment, and the grim prospect of getting far worse as Syrian induced paralysis is perpetuated.

IRANIAN THREAT TO LEBANESE SOVEREIGNTY

In addition, there has now emerged a major Iranian threat to Lebanese sovereignty, the establishment of an Iranian mini-State in Northeast Lebanon. The injection of major Iranian money, arms and people to this region has resulted in collapse of central government control and formation of an Iranian State within a State.

The three major international terrorist entities—PLO, Syria and now Iran—have followed the identical formula in taking control of all areas of Lebanon. Namely, massive injection of arms and foreign nationals, crippling of central government control, and collapsing of Lebanon's institutions.

The Iranian threat is worse, if this is possible, because Syria and the PLO represent secular totalitarianism, while Iran represents the spectre of a devastatingly fanatic, cruel, fundamentalist, religious state, which despises and is determined to eradicate Christianity in Lebanon.

The next year brings all the factors in the Lebanese equation to an historic confluence, the outcome of which will determine Lebanon's fate for decades.

Is there a clear purpose and firm policy and execution by western democracies to save Lebanon?

Syria's multidimentional envelopment of Lebanon is reaching a climax. Iran's clumsy but effective takeover in Northeast Lebanon has frightening consequences. An international peace conference to resolve the Palestinian issue is being pushed, with the possibility of Lebanon being partially or totally sacrificed.

The U.S. and France, the two important western democracies most concerned with Lebanon, have important presidential elections. Israel, a powerful regional democracy, has national elections, which will determine its leadership. Most importantly, Lebanon has a presidential election.

Syria realizes that now is the time to complete what they started in 1975, to achieve complete hegemony by capturing legitimacy in Lebanon through controlling the presidential election, in the face of passivity and neglect by western and regional democracies.

The American Lebanese League feels that the United States cannot afford to turn a blind eye to this tragedy, cannot afford to continue to deal only with the consequences of terrorism rather than the terrorist base itself, cannot afford to lose more ground in the region to the Soviet Union, cannot afford to lose Lebanon from the free world, cannot afford to sit idly by witnessing the permanent disfigurement of the face of a free people.

RECOMMENDED ACTIONS

Consequently, the American Lebanese League strongly recommends the following actions:

One, $100 million of humanitarian relief funding to private U.S. agencies to alleviate the dire economic conditions in Lebanon in the short term.

A diplomative initiative that will force Syria to lift its paralysis of the Lebanese government and permit it to function, to alleviate the dire economic conditions over the longer term.

Three, $100 million in FMS credits to strengthen the Lebanese Army, so that the Lebanese government can resume the task of controlling West Beirut and other areas controlled by terrorist groups.

Four, a diplomatic initiative that will force Syria to obtain release of the nine U.S. hostages held in Lebanon. Syria should also use its influence with Iran to stop Iranian takeover in Northeast Lebanon, together with their terrorist bases.

Five, a diplomatic initiative with all parties to insure that Lebanon's independence and sovereignty are not wholly or partially bartered during the proposed international peace conference on the Middle East.

Six, a diplomatic initiative to force Syria into a hands-off position in Lebanon's 1988 presidential elections.

Thank you Mr. Chairman.

[The prepared statement of Mr. Basil follows:]

TESTIMONY

BY

ROBERT A. BASIL, PRESIDENT

AMERICAN LEBANESE LEAGUE

Mr. Chairman:

My name is Robert Basil, President of the American Lebanese League, a nationwide non-profit organization founded by American citizens in 1976 to promote United States-Lebanon relations and to foster the sovereignty, security, democracy and independence of Lebanon within the bounds of the U.S. national interest.

We are not a lobbying organization but an educational, humanitarian and social organization with a broad national membership base representing the philosophy and ideals of the two and one-half million Americans of Lebanese descent.

Today I would like to discuss the grave concern throughout the American-Lebanese community that the very life of the free, sovereign nation of Lebanon is being extinguished while the free world watches in sympathy, frustration and silence.

Why does the American Lebanese community care so deeply? We care because Lebanon is the land of our heritage, a land left behind during only the past one hundred years, a land with near and close family: brothers, sisters, cousins, grandparents, and even fathers and mothers. We care because, as good Americans, we cherish American values of freedom, of self-determination, of life, liberty and the pursuit of happiness; and as good Americans we enrich ourselves by sustaining these values whenever and wherever they are threatened. We care because we are convinced that it is in the U.S. national interest that Lebanon not be allowed to disappear from the community of free nations into the melancholy world of the subjugated.

Speaking personally, it has been a plight for me, as with most American-Lebanese, to support the twelve-year struggle of the people of Lebanon to remain free.

I have testified twenty-five times before the U.S. Congress since 1978. My first testimony was given in concert with the Lebanese world-statesman Dr. Charles Malik, so well known to you, ex-President of the United Nations and ex-author together with Eleanor Roosevelt of the Universal Charter for Human Rights. At that time, we were begging the U.S. and the civilized world to force Syria to stop its barbarous 100-day wanton artillery bombardment of Beirut, the most intense and devastating shelling of a major defenseless civilian population center since World War II.

This twelve-year passion of support for Lebanon has been repeated tens of thousands of times by American-Lebanese all across the United States -- scientists, educators, factory workers, physicians, engineers, poets, businessmen, journalists, bankers, farmers -- alarming their fellow Americans of the threat to Lebanon's survival and appealing for their support.

Last year, while I was riding the ferry to Ellis Island to receive the Statue of Liberty Medal of Honor for the American Lebanese Community, along with distinguished medal of honor recipients from other communities, including this committee's able chairman, Sen Daniel Inouye, I cried when I saw the flag of Lebanon displayed in dignity along with the flags of the nations of origin of the other Medal recipients, and I remember saying to Muhammed Ali next to me how close we have come to losing it, and how fortunate and just it is that Lebanon is still alive, despite all attempts to destroy its sovereignty.

The next twelve months are momentous and perilous for Lebanon, and will determine its future for several decades: Will Lebanon be free, or an Iron Curtain satellite of Syria, or dismembered among Syria, Iran and Israel?

Over the past twelve years, indiscriminate shelling of unprotected population centers, kidnappings, torture, incarceration without due process, assassination, massive foreign troop deployment, arming of foreign nationals, none of these broke the will of the Lebanese people to resist, to keep their country.

Had any other country in the Arab World been subjected to these events, it would have collapsed long ago and likely disappeared. The Lebanese national will is a regional phenomenon.

It is this national will that is now the target of Syria. Presently with the 600 Syrian-supported artillery tubes in the mountains above Beirut silent for the moment, with 40,000 Syrian troops now massively deployed including 7,000 in West Beirut, with car-bombing quiescent, with Syrian-stimulated militia battles temporarily halted, with the appearance of Syrian-imposed stability, there is now a quiet, ugly, devastating economic war being waged by Syria that is designed to accomplish what they could not do by more violent means, namely, to break the will-to-resist of the Lebanese people by collapsing the Lebanese economy.

Syria is accomplishing this task by a diplomatic-economic pincers movement, by first paralyzing the government, which leads to ruining the economy and placing such hardship on the population that they eventually lose faith in and reject their own institutions. As Adlai Stevenson observed: "A hungry man is not a free man."

The increasing paralysis of governance over the past two years, which finally has traumatically affected the Lebanese pound so stable during the the first ten years of conflict, is now almost total. As Senator Helms stated in his June 17, 1987 speech on the floor of the Senate, "The acting Prime Minister, who is pro-Syrian, has called for the resignation of President Gemayel. The Speaker of Parliament, under Syrian pressure, has resigned his position and Syria has threatened the lives of potential replacements. Because the acting Prime Minister, following Syrian instructions, refuses to have the cabinet conduct business on a caretaker basis, there is no government. Because the Speaker of the House has resigned, Parliament cannot conduct its business. President Gemayel, therefore, has been isolated in the constitutional succession with no legal successor should he, through Syrian intervention, be assassinated or forced to resign. In effect, then, the Government of Lebanon is paralyzed.

In light of this artificial political vacuum created by Syria, we must ask ourselves whether Syria will unleash drastic actions in the coming days and weeks to destroy Lebanese sovereignty and independence."

The success of the Syrian plan is clear. During the first ten years, the Lebanese pound stayed at approximately four pounds to one dollar. In April 1987, I testified before the U.S. Congress."Syria's determination to crush the Lebanese economy and the Lebanese will-to-resist has resulted in the stagnation of the country's once-model economic system, the devaluation of the

Lebanese currency from four (4) to one-hundred (100) pounds per U.S. dollar, and the spectre of numerous families being unable to afford food and the basic necessities of life."

Today it is now 180 to 1, just 4 months later. Middle income families are struggling to keep their children in school, clothed and fed. Lower income families have barely enough to eat. Lebanon is on the verge of a dramatic internal upheaval, as parents see their children and the elderly without proper nourishment, and with the grim prospect of getting far worse as Syrian - induced paralysis perpetuates.

In addition, there has now emerged a major Iranian threat to Lebanese sovereignty, the establishment of an Iranian mini-state in Northeast Lebanon. The injection of major Iranian money, arms and people in this region has resulted in collapse of central government control and formation of the Iranian state-within-a-state. The three major international terrorist entities - PLO, Syria and now Iran have followed the identical formula in taking control of whole areas of Lebanon, namely, massive injection of arms and foreign nationals, crippling of central government control, and collapsing of Lebanon's institutions. The Iranian threat is worse, if this is possible, because Syria and the PLO represent secular totalitarianism, while Iran represents the spectre of a devastatingly fantic, cruel,fundamentalist religious state which despises and is determined to eradicate Christianity in Lebanon.

The next year brings all the factors in the Lebanese equation to an historic confluence, the outcome of which will determine Lebanon's fate for decades.

Is there a clear purpose and firm policy execution by the western democracies to save Lebanon, or is there preoccupation with other matters such that Lebanon will either be ignored, or bartered in the quest for a larger regional solution?

Syria's multi-dimensional envelopment of Lebanon is reaching a climax. Iran's clumsy but effective takeover in Northeast Lebanon has frightening consequences. An international peace conference to resolve the Palestinian issue is being pushed, with the possibility of Lebanon being partially or totally sacrificed.

The U.S. and France, the two western democracies most concerned with Lebanon, have important presidential elections. Israel, a powerful regional democracy, has national elections which will determine its leadership. And, most importantly, Lebanon has a presidential election. Yes, despite the military, economic and diplomatic war against Lebanon, despite the threat of artillery, personal threat and assasination, and the spectre of starvation, Lebanon will have the only true constitutional process and election in the entire Arab World. Syria realizes that now is the time to complete what they started in 1975, to achieve complete hegemony by capturing legitimacy in Lebanon through controlling the presidential election, in the face of passivity and neglect by Western and regional democracies.

All feels that the U.S. cannot offord to turn a blind eye to this tragedy, cannot afford to continue to deal only with the consequences of terrorism rather than the terrorist base, cannot afford to lose more ground in the region to the Soviet Union, cannot affort to lose Lebanon from the Free World, cannot affort to sit idly by, witnessing the permanent disfigurement of the face of a free people.

Consequently, ALL strongly recommends the following actions:

1. $100 million of humanitarian relief funding to private U.S. agencies to alleviate the

dire economic conditions in Lebanon in the short term.

2. A diplomative initiative that will force Syria to lift its paralysis of the Lebanese Government and permit it to function, to alleviate the dire economic conditions over the longer term.
3. $100 million in FMS credits to strengthen the Lebanese Army so that the Lebanese Government can resume the task of controlling West Beirut and other areas controlled by terrorist groups.
4. A diplomatic initiative that will force Syria to obtain release of the nine U.S. hotages held in Lebanon. Syria should also use its influence with Iran to stop its takeover in Northeast Lebanon, together with their terrorist bases.
5. A diplomatic initiative with all parties to insure that Lebanon's independence and sovereignty are not wholly or partially bartered during the proposed international peace conference on the Middle East.
6. A diplomatic initiative to force Syria into a hands-off position in Lebanon's 1988 presidential elections.

Mr. Chairman, the window of opportunity over the next year to restore and perpetuate Lebanon's freedom and sovereignty must be seized, or the consequences will be disasterous for Lebanon, the U.S. and the Free World. Should Syria and Iran be allowed to secure a permanent, brutal stranglehold over the soul of Lebanon? Is it not fair for Americans to ask Syria and Iran, as in the Book of Isiaah, "What mean ye that ye beat my people to pieces, and grind the faces of the poor?".

PARALYSIS OF LEBANESE GOVERNMENT

Mr. COLLINS. Thank you very much, Mr. Basil.

By Northeast Lebanon, do you refer to the Beqaa Valley?

Mr. BASIL. Yes and Ba'labakk.

Mr. COLLINS. What credence do you attach to the rumors that a new arrangement is being made for a new Speaker of the Lebanese Parliment?

Mr. BASIL. The Syrians clearly want to continue paralysis of the government. All of the meetings that President Assad has had, even recently within the last week or two, with all of the leaders that are pro-Syrian from Lebanon in Damascus, the single precept has been to continue the paralysis so that President Geymayel and the government will be ineffective.

They are very, very serious about this economic warfare and it is having staggering effects as no other thing has happened in the last 12 years.

If there is a new Speaker, it will be someone who will continue that policy. There is just no doubt. As you know, the past Speakers of the House, traditional Shi'ite leaders who are summarily removed at the behest of Damascus, Qamal Assad who was a very strong Shi'ite leader for the past 20 or 30 years and a very respected statemen, and the one that just resigned was put in by Syria itself. It is a gross interference in Lebanese internal affairs.

This is working so well, crushing the will of the people, people are concerned about their families, about their children. We have hundreds of people coming from Lebanon, or talking to their relatives everyday, and the stories, one after the other, of people simply starting for the first time to give up to what Syria has orchestrated here, plus the extreme threat of the Iranians in the northeast, in Ba'labekk and in the Beqaa. It is a very frightening thing. Already there have been 500,000 Christians uprooted within Lebanon itself. They are very uneasy about the spectre of the Iranian problems.

Mr. COLLINS. Thank you for your testimony.

I will now hear from the Commission for Lebanon of the Diocese of St. Maron, Chor-Bishop Seely Beggiani.

Welcome, sir.

COMMISSION FOR LEBANON, DIOCESE OF ST. MARON

STATEMENT OF CHOR-BISHOP SEELY BEGGIANI, CHAIRMAN, COMMISSION FOR LEBANON, DIOCESE OF ST. MARON

TOTAL APPROPRIATION FOR LEBANON

Mr. BEGGIANI. Thank you. I appreciate the committee giving me this time to give my own testimony, and I will try to give an oral summary to keep it brief, and I appreciate the fact that my written remarks will be a part of the record.

I am not a politician. I am not a diplomat. I am not a person who is trained in economics, but I would like to take this time to try to bring to the committee's attention something of a dilemna that is what I believe is the very distorting picture that Lebanon presents to the American public.

Perhaps that was best represented with our own American involvement. A few years ago, American troops were in Lebanon, its fleet was on Lebanon shores, the press reported day by day what was going on, and now, 3 or 4 years later, Americans are not even allowed to travel to Lebanon.

Obviously, there are many reasons for that, but it symbolizes something, and perhaps the most tragic symbol is the almost insignificant amount that has been appropriated for Lebanon this year.

My question is: Why is this happening, and what has gone wrong?

Obviously, there are answers to why the United States feels the way it does. It always wanted to help Lebanon and as a result paid a big price. The embassy was bombed twice, with a loss of life. The Marines were killed. The TWA plane was hijacked and taken to Beirut, our hostages are still being held there. These all have taken their toll on the American conscience.

I think there is a reality that we forget, and that is that after 12 years, Lebanon is still a republic and a democracy. It still abides by its constitution. The President of Lebanon was elected according to law. The government always takes place according to the constitution. The parliment was validly elected according to the way that the constitution provides.

Even after all the upheavals and all the tragedies and all the suffering, the political, economic, educational, and social institutions are still in place.

One other side of this is the fact that all the influences going on in Lebanon and with all the factions in Lebanon, no group has ceceded from the country. There is no rebel government. There is no government in exile. All the changes that are proposed, from within or from without of Lebanon, are proposed as going through the legal processes.

What I am trying to say, and I don't think that I am naive or romantic, is that in Lebanon we have a democracy. It has existed there for decades. The real question is whether the United States, with the heavy price it has already paid, is willing with Western countries and democratic countries to still nourish the democracy that has existed in Lebanon for all these decades.

The question that always comes up is: Why don't the Lebanese solve their own problems?

There are many reasons. Obviously, the Lebanese have to take responsibility for what happened and what is continuing to happen, but we must remember something, and I think Mr. Basil has pointed this out very well, that Lebanon is an occupied country. Its territory is controlled by two regional powers. The Lebanese themselves have very little opportunity to determine their own destiny.

Every time a negotiation is attempted, it is interferred with. Oftentimes, it is blocked.

Now, if I can take a more positive note for a moment. I believe that Lebanon should be much higher on the level of American interests. First of all, in Lebanon, and I know many Lebanese and I studied there myself, the majority of people are very friendly towards the United States, want democracy to continue to thrive, are a people that share the same values that we share. A strong Lebanon in the Middle East would be a great support to American interest.

If you will allow me, I want to raise one final point, and perhaps it is too academic, but I think it is very serious. That is that we talk about the East and the West. We talk about Islam. We talk about fundamentalism. We talk about Western values.

East and West must meet somewhere. There must be an arena where ideologies and cultures and strategies and ideas confront each other, engage each other. We know what can happen on the level of war and politics, but we need a place where this kind of exchange can occur. Where is this place to have it?

In the past it was Lebanon. Lebanon has had a free press, open universities and still does.

Where is it to happen?

It cannot happen in Israel. It cannot happen in Egypt. It cannot happen in Syria or Turkey or Saudi Arabia. If there is one place between East and West where this kind of cutting edge can take place, it is in Lebanon.

I am not naive, again, I am not trafficking in hyperbole. I really believe that if we perceived things as they really are and tried to help the situation there, Lebanon can continue in the future to be this kind of arena between East and West.

The people that I meet even now are filled with distress, but also with hope. The question now is whether the United States and other Western countries are willing to give some effort, some material aid to allow Lebanon and the majority of its people who love democracy to continue to exist and survive.

Thank you, sir.

[The prepared statement of Chor-Bishop Beggiani follows:]

Testimony by
Chor-Bishop Seely Beggiani, Chairman
Commission for Lebanon
Diocese of St. Maron -- U.S.A.

Mr. Chairman, Members of the Committee, I come before you as a representative of the Diocese of St. Maron -- U.S.A. Our diocese has jurisdiction over American Maronite Catholics living in all fifty states. Most of our people are of Lebanese descent. While being proud, hard-working, and involved American citizens, we are also deeply concerned for the survival and future of Lebanon, the country of origin for so many of us.

Introduction

The bonds between the United States and Lebanon traditionally have been very strong. Lebanon throughout its history has maintained a close relationship with the United States, which, for its part, figured prominently in the Lebanese struggle for independence in the first half of this century.

The presence of over two million Americans of Lebanese descent in the United States has also influenced and strengthened the bond between the two countries. American-Lebanese play a prominent role in American life, contributing significantly to the fields of science, business, government, literature and entertainment.

A Distorted Picture of Lebanon

In this presentation I wish to address two issues, namely: the low level of esteem that Lebanon has in American eyes, and, on the other hand, the important role Lebanon can still have to U.S. interests. Regarding the first issue, U.S. involvement in Lebanon has gone from the presence of our troops in Lebanon and our fleet on its shores to a point where U.S. citizens are not permitted even to travel to Lebanon. The nation of Lebanon and its future seems to be no longer of significant interest to American foreign policy. This is symbolized by the minuscule amount proposed currently for aid to Lebanon and being considered in this hearing.

Various reasons can be offered to explain this situation. The United States and its citizens have suffered much in Lebanon during the past thirteen years. Our embassy was bombed resulting in loss of life, our Marines were killed, the TWA plane was hijacked, and American hostages have been taken. The United States, whose selfless interest was to help this small country, did not deserve this treatment.

Also, the impression one has of Lebanon at a distance of seven thousand miles is that of a country bordering on chaos, whose leaders have made no serious attempt to solve their own problems.

However, it is important for us to understand Lebanon today as it really is, the good and the bad. After thirteen years of hostilities and upheavals, Lebanon remains a democracy. It still abides by its Constitution. Its president, government, and parliament occupy their offices according to the law. Its political, economic, educational and social institutions remain intact.

Despite attacks on the government, sometimes by Lebanese factions themselves, no group has seceded, no one has attempted to form a rebel government or a government in exile. The calls for change and reform from within Lebanon are always directed toward legal change and according to democratic processes.

Lebanon is not a country where the seeds of democracy have yet to be introduced or take root. Rather, the issue facing democracies of the West is whether they have the intention and the will to protect the democracy that has flourished on Lebanese soil for decades.

Furthermore, if the United States and other western countries have suffered in Lebanon, the Lebanese themselves have paid a far greater price. One-third of Lebanon's citizens have been displaced or dispossessed. More than a hundred thousand have been killed, and thousands more have been maimed. Lebanon's economy is in shambles.

While Lebanon's leaders and people must take heavy responsibility for the country's malaise and chaos, one salient and perhaps overriding reality must be kept in mind. Lebanon is an occupied country. One regional power occupies a good portion of Lebanon's north and central region. Another regional power occupies a significant part of its south. Intimidation of Lebanon's citizens and political leaders is sometimes overt and often subtle. Lebanon's President-elect Bachir Gemayel and last Prime-minister Rachid Karame were assasinated. There have been attempts on the life of the present president. There have been several assasination attempts on former presidents and party leaders. Cabinet ministers and members of parliament live in fear of their lives. The Christian areas of central and north Lebanon are hostage to renewed artillary attacks.

All major attempts at negotiation and reconciliation by Lebanon's leaders during the past few years have been grossly interefered with and sometimes blocked by occupying forces. Lebanon is not being allowed to achieve order and reform.

Another significant fact is that much of the killing and hostage-taking directed against the United States and the

West was not done by Lebanese citizens. The overwhelming majority of Lebanese reject violence and desire peace.

Lebanon and U.S. Interests

A stable, free, and sovereign Lebanon would be a great asset to U.S. interests in the Middle East. Such a goal is still achievable but requires far greater and more active U.S. support. The government and people of Lebanon seek the friendship of the United States. The people of Lebanon still cherish democracy, its freedoms and its guarantee of human rights. With help Lebanon can continue to be a country which shares our common values in the Middle East.

Second, the pluarlistic character of Lebanon in religion, politics, and culture should be preserved as an essential witness to the compatibility of East and West and as a moral deterrent to religious fananticism. In foreign policy, cultural issues should engage our interest as much as military and political ones do. Future conflicts and wars can be avoided when differing ideologies are permitted to confront and engage each other. Lebanon has always represented a frontier and "cutting edge" between East and West. Perhaps the bloody events of the past twelve years symbolize the seriousness of the issues at stake.

Islam, its world-view, and even those who would interpret Islam in an extreme fashion and translate that into military and political goals, is not going to go away. Western values must also be understood and evaluated by the people of the Middle East. This cannot happen if there is no arena in which they can be presented. Lebanon yesterday and today with its history of open universities and a free press is a natural meeting-place where this can happen.

Recommendations

The survival and future of Lebanon can be achieved only through the efforts and help of friendly countries. First, the foreign aid appropriation for Lebanon should be passed. However, this sum is so insignificant that we plead for much more material and humanitarian aid. If this cannot be done within the present budget, then perhaps funds from other government agencies can be made available.

Second, one major hope for order and stability of Lebanon is the Lebanese army. The Lebanese government and army should be aided in rooting out terrorist bases and elements from their midst. In this regard, we would ask that the programs of American training and assistance to the Lebanese army be continued and expanded.

Third, on a related point, the government of Lebanon has always attempted to pay for its arms purchases from the United States. However, in the last several months, the Lebanese pound has declined from four pounds to the dollar to over one hundred and fifty pounds to the dollar. For the Lebanese government to attempt to pay the more than thirty million dollars it owes for arms at today's currency rate would mean national bankruptcy. Therefore, we ask that this debt be forgiven or that it be paid at the currency rate at the time that it was incurred.

Fourth, we believe that it is in America's interest, Israel's and Syria's interest, and certainly in Lebanon's interest that all occupying forces withdraw from Lebanon. The continued presence of foreign forces in Lebanon is not merely a violation of international law and morality; it is also quite counter-productive.

Lebanon could be what it was -- a buffer between two hostile states. The security of Israel was far greater when only Lebanese forces ensured security in Lebanon. The chances of an Israeli attack against Syria were far less when no Syrian troops were occupying the country.

Fifth, thousands of displaced and dispossessed families in Lebanon are in need of humanitarian assistance. For example, the Catholic Center for Information in Lebanon has reported to us that 500,000 Christians are refugees in their own country. These refugees live in miserable conditions. They are crammed into monasteries, abandoned schools, and unfinished buildings. They are in an extreme state of poverty and approaching famine. There are 25,000 orphans under the age of sixteen. The Diocese of St. Maron is engaged in an ongoing fund-raising effort to bring some relief to these people. We appreciate all the humanitarian aid that the American government has given to Lebanon. And we plead with you to respond even more generously to this tragic situation facing Lebanese of all religious backgrounds.

In summary, I have attempted to articulate the hopes and desires of the vast silent majority of Lebanese who are struggling to endure and survive years of tragedy. Despite all that has happened, Lebanon is a faithful ally that deserves our attention and our help.

CONTINUATION OF FUNDING TO BEIRUT UNIVERSITY

Mr. COLLINS. Thank you, Father Beggiani.

This subcommittee is also distressed, as you are. It has been particularly pained by the loss of what it has seen as a meeting place for different philosophies and religions of the East and West. I speak of the American University in Beirut.

We are confronted now with the question of: How long can we continue to support a university where our American professors are no longer able to teach, where American ideals are no longer espoused or exposed to those from the Arab countries.

What are your views on the continuation of funding to the American University in Beirut?

Chor-Bishop BEGGIANI. Allow me to even expand it, if I may. I am very much familiar with the work of the American University in Beirut, but also there are other universities in Lebanon, who also are true universities, by that I mean want an exchange of ideas.

I believe it is essential for the American University of Beirut to continue, and I say this for these reasons.

It is necessary for the peace to be exposed to Western ideas, to have that kind of knowledge. I know the dangers. There are ways to deal with those dangers. The American University of Beirut opened an eastern campus in East Beirut. There are other parts of Lebanon where it can function.

If I can have this one moment, West Beirut is not Lebanon. Lebanon has many places, many towns, many villages. The press has focused most of the time on West and South Beirut. There are many places where the American University would be welcomed in Lebanon, or other universities.

I think that for the United States to leave its possible cultural heritage, to take it with it, would be a disaster for Lebanon and the Middle East. As you well know, Mr. Chairman, many of the leaders of the Arab countries studied at the American University of Beirut. Many of the leaders who sometimes give us a lot of trouble, still understand where we are coming from.

If we now draw down a curtain of ignorance, we only multiply our problems. Therefore, I would plead with you not only to support the American University of Beirut, but the other universities there. I am an academic myself, you should never be afraid of knowledge and we should do whatever we can to propagate knowledge. I know the dangers, but ironically our professors there were the last to want to leave. Sometimes they were forced to leave. Many of them are still there, and there are many professors, as I say, at other universities who are there and they don't mind the risk because they see the value.

I studied in Lebanon. When I studied there in 1957–58, there was a lot of goodwill and part of that goodwill was because of Western culture, Western ideas. I don't think we should now pull out. I don't know if I have answered your question or not?

Mr. COLLINS. You have answered it very, very eloquently. Thank you very much, Father.

Chor-Bishop BEGGIANI. Thank you.

Mr. COLLINS. We will next hear from Dr. Curtiss Swezy, Chairperson of the International Health, Legislative Affairs of the American Public Health Association.

Good afternoon, and welcome, sir.

AMERICAN PUBLIC HEALTH ASSOCIATION

STATEMENT OF CURTISS SWEZY, PH.D., CHAIRPERSON, INTERNATIONAL HEALTH, LEGISLATIVE AFFAIRS, AMERICAN PUBLIC HEALTH ASSOCIATION

ACCOMPANIED BY RICH GILBERT, STAFF, AMERICAN PUBLIC HEALTH ASSOCIATION

SUPPORT FOR AIH PROGRAMS

Mr. SWEZY. This is Rich Gilbert, who is on the staff of APHA and he has been very helpful in preparing this testimony, editing it, honing it up to other readers, so that it is a much more coherent presentation than it would be if left to my devices.

You certainly know how to read, and I pretentions of being able to write. I can walk you through the prepared text, or alternately, I can summarize the key points and then answer whatever questions you have. Which ever you prefer.

Mr. COLLINS. Why don't you summarize your points in the interest of time.

Mr. SWEZY. What we wanted to do today on behalf of APHA was publicly state our support for the Agency for International Health's programs and health and population activities, and we want to recommend continued support for AID in those efforts.

In the paper you will note that we recognize, as everybody does, that there are serious financial constraints right now, so what we are recommending are not large increases to continue and expand and to reach optimum programs, but just what we feel are the bare minimums to maintain or almost maintain the momentum that these programs have done over the years.

We would like to focus particularly on five of the health and population activities of AID. We take the liberty of even suggesting specific funding levels.

AID HEALTH ACCOUNT

First, is the AID health account. We are urging that this come in at $167 million. That does not provide for inflation. It does not provide for program inspection, and would barely maintain the momentum that has existed in those programs.

CHILD SURVIVAL ACCOUNT

Second, is the Child Survival account, and we would like to recommend that that be maintained at $75 million. You have heard ample testimony today, and you have seen many documents that have already noted that this has a tremendous impact on the sickness and death rates in developing countries. We also note that this is a congressional initiative in the first place and that it is a very high impact program.

A personal experience that I had recently was to serve on the technical review committee for the Child Survival projects for the PVO community that AID has a portion. In working with that technical review committee it was very clear to me and the other external review members on that committee that they had received far more proposals for really good projects than the funds that exist.

Again, we would like to draw your attention to this and urge that there not be a cutback on that funding.

VITAMIN A PROGRAM

Third, is the vitamin A program and we are recommending that that be continued at $8 million. I would also like to note that that is funded not out of the health account, but that comes out of the agriculture and rural development account.

Again, through some very clever research that was done by Johns Hopkins and the Helen Keller organization, they have determined that in addition to what we had originally known that vitamin A deficiency would impact blindness, it has a dramatic impact on gastrointestinal disease and on pneumonia. The same mechanisms that lead to the atrophy of the eye tissue lead to the same problems in the intestine and in the lungs.

This is a very important program and our concern is a seemingly small budget item of $8 million might fall between the cracks and we are very concerned that that not happen.

AIDS

Next is the one that everyone is aware of now, AIDS. What we would like to urge on this subcommittee is an appropriation of $25 million and that this be split, half to AID and the bilateral program, and half through AID to the multilateral program, which means WHO.

The need to have a project on AIDS is self-evident. I don't think that there is anything else that I can say. It is a truly international health problem, because not only is it a scourge in developing countries, but it is becoming a dramatic health problem here in the United States.

Everything that is done now to combat AIDS will preclude and lower expenditures for location and treatment of the disease in the future. This money we look at as an investment.

POPULATION AND FAMILY PLANNING ACCOUNT

The fifth program is the population, family planning account. We would like to urge that this committee appropriate $235 million for that account.

Again, we note that this was a Senate policy initiative that got AID into the family planning business in the first place. As you recall, Senator Gruening from Alaska was very instrumental in bringing the Senate's attention to this issue and seeing that the original earmarking for funds for family planning occurred in 1967.

We feel very strongly, again recognizing the financial constraints that the Senate is under, but this is not the time for this subcommittee or for the Senate to lose its resolve in supporting family planning programs around the world.

There has been a lot of commentary in these chambers and throughout the Senate on the issue of security and destabilization. We feel very strongly that this is the single most dollar-efficient investment the U.S. Government can make to promote stability around the world.

Examples of destabilization because of unchecked population growth abound and are even in the newspaper this morning. The Philippines, El Salvador, Haiti and most recently and most dramatically Sri Lanka.

FUNDING SUPPORT FOR UNFPA

We also would like to see this subcommittee draft language which supports continued funding of the UNFPA and its activities, but we note in all of the above recommendations that these family planning programs must continue in the tradition that has been established, which is to say that they be completely voluntary and that they have true and informed consent on the part of all recipients. Anything less than that we find ethically unacceptable.

In these recommendations, basically, what we have laid out is straight line funding for the health account, for the population account, even for the vitamin A in the rural and agriculture account, but the point that we want to emphasize is: The AIDS epidemic must be attacked now in parallel to these other initiatives and funding for AIDS cannot be viewed as competitive with the other projects that are already going on.

For example, the $25 million that we are urging be appropriated for AIDS not be backed out of the $167 million health account. Those funds are already committed to very important programs, and that the AIDS funding must be additive not competitive to these other funds.

I would be happy to answer any questions that you might have.

[The prepared statement of Mr. Swezy follows:]

Statement of

F. Curtiss Swezy, DrPH
Chairperson, Policy and Legislative Affairs Committee
of the
International Health Section

on behalf

The American Public Health Association

Thank you very much for inviting the American Public Health Association (APHA) to provide testimony to this subcommittee on the funding of U.S. participation in international health, specifically health activities of the Agency for International Development (AID). APHA is pleased to accept this invitation and to contribute whatever insight we can to the importance and effectiveness of these programs.

APHA is a U.S. professional society dedicated to improving the status of health in the U.S. and around the world. The 55,000 national and affiliate members are divided into 24 professional interest sections, e.g., medical care, environmental health, laboratory, etc. The International Health Section has approximately 1,400 members and an additional 10 sections have special interest groups concerned with international health issues.

We have for many years observed, and interacted with, the several components of AID's international health and population programs. As health specialists we are most impressed with the professionalism, dedication and commitment to bottom-line results of the AID staff. The U.S. citizenry can take pride in the fact that this organization promotes a positive image of the United States around the world.

The U.S. Congress, and specifically the U.S. Senate, can take a significant portion of the credit for this positive image.

Once funded, AID has been most effective in implementing projects. We have long noted that through the years the U.S. Congress has repeatedly shown the foresight and courage to fund international health initiatives that were not always politically popular or even clearly understood by many constituents. APHA commends the Congress for these past actions and encourages you to maintain your resolve in continuing this leadership.

Examples of this policy leadership abound. AID is universally recognized for its role in provision of effective voluntary family planning and population policy programs in the poorest nations of the world. It was the forceful action of the U.S. Senate in 1967 which thrust AID into the family planning business, eventhough support for this activity was not universal at that time.

More recently, we have witnessed the beginning of a war on eliminating childhood deaths resulting from preventable disease and diarrhea in the developing world. The so-called Child Survival programs of immunization, Oral Rehydration Therapy (ORT), birth-spacing, growth monitoring, and promotion of breast feeding, are having a dramatic impact on lowering the incidence of morbidity and mortality in some of the least developed countries in the world. Again, it was a Congressional initiative that put the funds in place for AID to initiate the Child Survival campaign.

We further note that AID has joined hands with the World Health Organization (WHO) in a concerted fight against disease around the world. While we recognize that it's not the domain of this subcommittee, we want to record our distress at the reduction of funding for WHO. This makes AID's fight against disease all the more difficult because of the weakening of this important ally. As an example of this cooperation, the Americas region of WHO, under the leadership of the Pan American Health Organization (PAHO) is conducting a campaign to eradicate polio in the Western Hemisphere by year 1990. That effort, which has also been joined by Rotary International, the Inter-American Development Bank and UNICEF, appears likely to make this hemisphere the first to eliminate the transmission of wild polio virus.

Most recently, a sister committee of the Senate has included language in an authorization bill which will restore U.S. funding to the United Nations Fund for Population Activities (UNFPA). APHA commends the Congress for this initiative and wishes to encourage you in whatever manner we can to continue in this effort. Our firm conclusion is, once funded, AID has done an excellent job of implementing development projects, especially in the field of health and family planning.

We would like to focus your attention on five AID health and family planning activities and suggest FY88 funding levels for these programs. We recognize that the entire federal budget is under a strain. We share the broadly expressed concern about the deficit. We, therefore, are not urging funding levels that guarantee an optimum program or even compensate for inflation, or provide for needed program expansion. Rather, we view these figures as minimum amounts that can simply sustain the momentum that has already been developed in these various activities. In every instance additional funds could be constructively used.

AID Health Account - $167 million

Many excellent activities are supported under this rubric. AID funding is supporting the development of a malaria vaccine to combat one of the most pernicious diseases in the world. Less dramatic, but every bit as important, is the time consuming effort at building a health infrastructure in many countries around the world. These efforts are making these countries more self-sufficient in providing basic health care to their own citizens. AID has also pioneered in encouraging the private sector to share in provision of basic health care in newly emerging countries around the world.

Child Survival - $75 million

The Congress has regularly reviewed reports on the success of child survival efforts. Infant morbidity and mortality has been significantly reduced in a number of the poorest countries around the world, particularly from vaccine preventable diseases and diarrhea. As an example of the stringency of our suggested funding level, last month I served on an external review committee for AID which assessed the technical merits of Child Survival proposals presented by the Private Voluntary Organizations -- the PVO community. Approximately $10 million of the Child Survival funds have been designated by AID to be disbursed to these U.S. based voluntary agencies. It was clear to those of us on the external review committee that the number of "good" projects will exceed the funds that AID has to support these PVO Child Survival activities.

Vitamin A - $8 million

Vitamin A activities are funded out of the Agriculture and Rural Development Account of AID. This is a most important health intervention and should be sustained. A very clever operations research project conducted by Johns Hopkins University and the PVO Helen Keller International discovered that Vitamin A has a health impact well beyond preventing blindness. Startling rates of reduction in child morbidity and mortality have been found in programs where Vitamin A is supplemented in the diet. In Indonesia, where the original research was conducted, child mortality has been reduced 35% in villages where Vitamin A fortification has been provided. Among children identified as high risk, it has been reported that death rates have been reduced by up to 70% for children given high-dose Vitamin A supplements.

AIDS - $25 million

There is scarcely a literate adult in the U.S. who is unaware of this viral infection. Health professionals, politicians, entertainers, community volunteers, clergymen and housewives have been struck down by this disease. The Agency for International Development can take credit for being the first donor -- $2 million -- to the World Health Organization worldwide battle against AIDS. APHA endorses WHO's leadership role as international coordinator on case identification, community education, and the many other activities aimed at stopping this epidemic. The original $2 million that AID provided WHO came out of AID's regular budget. Since then, AID has developed a strong bilateral program which will enable it to respond to individual Mission requests for technical assistance, training, supplies, and other needs. We request that this subcommittee designate that $25 million be provided for the campaign against AIDS, half for the AID bilateral program and half for continued support to the multilateral activities -- WHO.

Population/Family Planning - $235 million

As noted previously, the U.S. Senate was the driving force for AID becoming involved in family planning programs. AID's track record over the years has been excellent. This is not the time for you to lose your resolve in support of this program. Every dollar spent now for family planning programs will reduce the need for development expenditures in the future.

A great deal has been said recently about protecting the security of the United States. Every responsible citizen is concerned about this issue. However, often overlooked in the debate is the fact that unbridled population growth is one of the most destablizing forces in the world today. We only have to look at Sri Lanka as the current example. But, clearly population growth has been a destablizing factor in the People's Republic of China, the Philippines, El Salvador and many other countries attempting to emerge from technical retardation and low standards of living. As specialists in preventive health, we at APHA believe in the old addage that "an ounce of prevention is worth a pound of cure." This includes support of family planning programs around the world. Dollar for dollar we firmly believe this is the best investment our government is currently making to ensure the peace and stability of present borders and future generations. Continued support of UNFPA is a high priority and APHA urges this subcommittee to draft language that ensures such support continues as an integral component of our U.S. foreign policy.

Support of family planning must continue the tradition of being completely voluntary. An essential component of voluntary consent is informed consent; anything less is coercion and, thus, ethically unacceptable. We know this subcommittee recognizes this fact and authored the DeConcini Amendment. We encourage you to continue the language and the spirit of that amendment which guarantees that participation in family planning programs by women and men in developing countries is in the same tradition of our democratic principles that characterize all our health and development activities.

A point we would like to stress. We have focused on five AID program areas which improve the health of populations in the developing world. We have also suggested conservative funding levels for these programs, some of which were initiated through Congressional policy directions. But, we would like to emphasize that these funding levels must be considered as additive. The AIDS funding must not be viewed as competitive with existing health program funding needs. We strongly urge that the $25 million for AIDS be committed in addition to the $167 million for the health account. These figures are realistic, the need is there, and they are conservative. An example has already been given of where more money could be constructively used by the PVO community for Child Survival.

In summary, APHA applauds the policy leadership demonstrated through the years by the Congress in the area of foreign assistance, particularly health and population programs. We urge you to maintain your resolve for such support during the current period of financial stress and competing viewpoints on what is best for the health and security of the nation and the world. When AID has been given support, we observe that its track record is excellent, if under-recognized. We urge your continued funding support for AID health activities, specifically:

AID Health Account	$167 million
Child Survival	75 million
Vitamin A	8 million
AIDS (half for AID; half for WHO)	25 million
Population/Family Planning (including support to UNFPA)	235 million

Thank you for your attention. I will be more than happy to answer any questions you may have.

VITAMIN A PROGRAM

Mr. COLLINS. Dr. Swezy, I don't have very many questions. We are grateful for your presentation. I can assure you that the vitamin A is not going to fall through the cracks.

Mr. SWEZY. I am glad to hear that.

Mr. COLLINS. It is of great concern. The committee determined to put that under the agriculture account, because it is the agriculture, rural development and nutrition.

Mr. SWEZY. I have no problem with that.

Mr. COLLINS. We view vitamin A as a nutritional item as well as a health concern.

Mr. SWEZY. We just were concerned that because it was over there that if people didn't focus on it, it might fall through the cracks.

Mr. COLLINS. It will be more difficult, of course, to try to preserve the health level at $167 million and provide $25 million for AIDS research and activities on top of that, but the committee will review your testimony and will be interested in hearing your views.

Mr. SWEZY. We very much appreciate that. But with the momentum that AID has developed in these other areas of immunization, clean water, all the other things, to then let AIDS compete with that, we really think that that would be a tactical error.

Mr. COLLINS. Yes, sir. Thank you.

Mr. SWEZY. Thank you very much. It was nice to meet you.

Mr. COLLINS. We will next hear from Scott Sklar, the Executive Director of the U.S. Export Council for Renewable Energy.

Welcome, Mr. Sklar.

U.S. EXPORT COUNCIL FOR RENEWABLE ENERGY

STATEMENT OF SCOTT SKLAR, EXECUTIVE DIRECTOR, UNITED STATES EXPORT COUNCIL FOR RENEWABLE ENERGY

PROMOTION OF INDUSTRY EXPORTS

Mr. SKLAR. I would like to submit my testimony in full and just make some highlights.

Mr. COLLINS. Thank you. It will be inserted in the record in full.

Mr. SKLAR. The U.S. Export Council for Renewable Energy is the umbrella group of the nine national renewable energy trade associations, and we assembled to promote our exports.

The industries we are promoting are wind power, solar heating and cooling, photovoltaics, alcohol fuels, hydropower, cogeneration, biomass.

We are not here before this committee to ask for more money, but we are asking for some specific congressional directives that will both help our industry and help development. First, four facts for you, just to give you a mind set of where we are.

Seventy-five percent of the world's population doesn't have access to a light bulb. We believe we have the potential, using U.S. technology, to help the world get access to electricity.

The medicines that we give overseas for our other industrialized nations go bad due to lack of refrigeration, or the loss of electricity for refrigeration. It affects other things than just energy. It affects education and health care.

Sixty percent of the exports of our little industries go towards exports now. We have been building a market overseas that has been amassing over the 10 years, which is essentially when our industries came in, since the oil embargo.

FOREIGN COMPETITION

The competition from abroad in the foreign sector towards our industries is intense. As an example, in photovoltaics, solar electricity which came out of our space program, we held 80 percent of the world market 6 years ago, we hold less than 50 percent now, due to intense competition to take over the world market by industrial competitors.

I am here to ask for three things. One is a basic one, it is to maintain AID's energy office funding at the current levels, not more, not less. It is important.

Two, direct that such funding work more with U.S. industry. I will get into this in a second. In addition, direct AID's office regarding their overseas AID development moneys and procurements to buy American products, or at least 51 percent of American products.

I would like to hand to the committee a letter, which we just received and, I am sorry, did not include in my testimony, complaining that the AID office in Egypt gave a wind procurement to a Danish company, a 100 percent wholly owned subsidiary Danish company.

We have no problems with what has been done with AID, for instance, in Morocco, where they require in the procurement that 51 percent of the moneys go toward U.S. holders and the other 49 percent can be in foreign investors or in-country cooperative agents.

The problem, one of the reasons we are losing the world market, is the fact that the Japanese and the Danes and the Germans and the Dutch and the Italians use their AID programs to buy their own industry's equipment. Our AID program uses it to buy the competition.

We realize there are circumstances where we do not produce enough technology domestically, and these things shouldn't happen, and that these efforts to go out of country may be necessary. That is okay.

What we do mind is when we do have a lead in the technology and they go and buy the competition, even when we are technically superior.

The issues that we have faced in working with AID are somewhat schizophrenic. Our industry has lobbyed for and a bipartisan law was passed, P.L. 98–370, which has nine of the Federal agencies coordinating export policy. AID is a member on this Committee on Renewable Energy Technology in Trade. They have been good players. They want to promote our industry. However, in the implementation strategy rather than the desires, it doesn't get through.

What we would like the committee to do is just goose them a little right now, and see that if it is clear that: one, they should work closer with industry rather than consulting firms, and two, that they work to promote American products where it is appropriate, not mandatory, not in every instance, but where it is appropriate. Such help for our industries will keep America predominant in trade. Otherwise, we are going to find that the AID programs are not going to be as efficient and we will be hurt.

That is our simple request to this committee, and we thank you for at least hearing us out.

(The prepared statement of Mr. Sklar follows:)

us-ecre
United States Export Council for Renewable Energy

TESTIMONY

by

Scott Sklar
Executive Director

INTRODUCTION

The U.S. Export Council for Renewable Energy (US-ECRE) was established in 1982 as the umbrella organization of the U.S. renewable energy trade associations to promote exports and international trade. The technologies US-ECRE promotes are alcohol fuels, biomass, cogeneration, geothermal, hydropower, passive solar, photovoltaics, solar thermal, wind, and wood energy technologies.

I also support many of the goals of the Working Group on U.S. Technology and the Third World Power Crises. The Working Group includes representatives from energy companie, utility companies, energy equipment suppliers, and environmental interests who share the view that the United States should tap its technical leadership in the power sector to help alleviate the continuing power crises in developing countries.

On behalf of the U.S. renewable energy industry I am asking this subcommittee to support our industry in a few specific ways:

o Enhance the activities of the Agency for International Development (AID) to actively engage in the promotion of U.S. renewable resource technologies utilizing U.S. technical and private sector talent, to offset fuel imports for the Third World and increase the quantity and reliability of local power production to stimulate economic growth. This involvesinsuring AID's energy office has a level fundin of $10 million plus an active procurement program for U.S. renewable energy equipment.

o Direct the Agency for International Development to provide feasibility monies for potential renewable energy applications when cost effective or as appropriate, for the promotion of private sector independent power production for micro-utility and utility interconnection as practised in the United States.

o Direct The World Bank to support an aggressive policy to promote renewable resource development in the Third World.

None of these requests by industry would cost the U.S. taxpayer much money but rather increase U.S. industry business opportunities thus helping the U.S. trade deficit and providing more energy efficient and reliable power to promote Third World growth and lessen Third World debt.

THE PROBLEM

While the decline in oil prices has been beneficial to Third World, energy remains a major development problem. Staggering under enormous debt obligations, these countries have been unable to make the investments required to reduce dependance on imports for current needs, much less for foreseeable needs. Despite $500 billion in power investments in the Third World since the 1950's, there is a serious power shortage in a number of developing countries: 20 percent in the Phillipines, 25 percent in Pakistan, 15 percent in India, with anticipated growth rates of 7 percent to the end of the century compared to 2 percent in the United States. These needs are not simply a matter of humanitarian concern to our country. In most developing countries, the growth of energy consumption exceeds the overall growth of the economy measured as a gross domestic product (GDP). And it is economic growth in which the major industrialized nations are counting both to repay the debts incurred by the Third World, and to pay for the purchase of U.S. goods and services to lessen our dangerous trade deficit.

Use of domestic resources for energy resources will increase Third World development. Since the U.S. leads both in the technology and technical expertise, their development in a renewable economy will build our domestic industries. Seventy-five percent of the world's peoples do not have access to electricity. To insure world growth, including our own, we a provide greater access to energy.

AGENCY FOR INTERNATIONAL DEVELOPMENT ENERGY PROGRAMS AND P.L. 98-370

In 1984, the U.S. Congress passed P.L. 98-370 which created a federal interagency working group to coordinate the promotion of U.S. renewable energy exports. The industry, through US-ECRE, pushed for this legislation to meet the growing competitive threat from other industrial nations. The U.S. Department of Energy coordinates the Committee on Renewable Energy Commerce and Trade (CORECT) and the Agency for International Development along with fifteen other federal agencies and entities actively participate in the CORECT subcommittees.

The Agency for International Development has funded important projects including a renewable energy data base and recently, a manual on renewable energy technologies for rural irrigation. While the Agency for International Development has supported our industry in both the letter and spirit of the law, two simple activities could be suggested by this Subcommittee which will aid our industries and development in the Third World.

The markets for renewable energy exports fall into four basic areas:

- o rural development - power for water pumping and irrigation, electric fences, lighting, and heat for food processing and agribusiness

- o communications - power for telephones, transmitters, satellite dishes, radios, TV's and computers

- o health care - power for lighting, refrigeration of medicines, and energy for hospital services

- o micro-utilities - power for economic development to provide electricity for seventy-five percent of the world's population that doesn't have access to electric power

As a result, the U.S. renewable energy industry and technical leaders need to actively participate in trade activities abroad in rural economic development, communications, healthcare in addition to the energy and power generation efforts. These activities should include technical assistance, training, and economic development utilizing a free enterprise approach. Therefore, the U.S. industry and technical community would like a Congressional directive to the Agency for International Development to set aside $1,500,000 for FY'88 in additional funding for AID's energy office. These monies would principally be used for feasibility studies for U.S. renewable energy companies and technical firms and ongoing AID energy programs, and industry sector programs mandated by P.L. 98-370 in commmunications, healthcare, power generation and rural development.

AGENCY FOR INTERNATIONAL DEVELOPMENT PROCUREMENT & MULTINATIONAL AGENCIES

Our industrial competitors, such as Japan, have been very skillful in using demonstrations of their renewable technologies in Japanese commercial and development projects abroad. Over the last ten years, other federal agencies have developed extensive experience in the procurement of renewable energy equipment. The U.S. Department of Energy has monitored renewable energy applications in federal buildings and now offers free design assistance and evaluation for federal utilization of renewable energy applications. The U.S. Department of Defense has been required to procure renewable energy devices when cost-effective as a result of the Mavroules amendment in 1982.

The U.S. Export Council for Renewable Energy (US-ECRE) requests that this Subcommittee instruct the Agency for International Development to meet with the U.S. Department of Energy and representatives of the U.S. renewable energy industry, on a timely basis, to ascertain if renewable energy applications can be used in development project procurements abroad. Our industry also requests that the report language require the Agency for International Development to report back to the Committee their findings and progress in this regard.

Utilization of renewable energy devices will do far more than provide the U.S. industry with sales and exposure abroad to compete effectively in the world markets. First, in AID's decentralized rural power program, they have come to grips with the double binds of enormous debt loads generated by previous power plant investment and the economic and social dislocations large-scale power projects have caused. By building on previous experience with decentralized power generation with conventional technologies, cogeneration, and renewable energy technologies, AID has begun to involve the private sector, leveraging its funding, creating immediate markets for U.S. energy suppliers, and realizing immediate short term economic development in Third World countries. Since these initiatives are readily replicable, we ask the Subcommittee to earmark at least $10 million in FY'88 for AID energy funding of these kind of efforts.

I would like to point out that the Congress had previously directed that $10 million be spent in FY'87 for AID's energy office programs. However, $3.6 million was for a large India project that was a technical data base program and not geared towards realistic energy development programs. Although the India project is useful, AID should have funded this project through some other means rather than cut into the limited energy office effort.

The United States and the International Development Banks have appropriateded billions of dollars to make the Third World less susceptable to energy shortages. Access to energy at all times or for primary use or when conventional energy supplies fail is of upmost importance. Our industry needs some Congressional intervention, and I hope our request which requires a small amount of additional funding can be incorporated in the Subcommittee's bill.

Second, The World Bank spends approximately $6 billion dollars per year on energy development projects, with ninety percent going towards diesel electric generation. With the temporary low prices of petroleum coupled with the rapid growth of populations, obviously some diesel usage should be supported. But the magnitude of funding a technology whose fuel source will rise, and which encourages continued exports of capital necessary for loal development, is short sighted and greatly encourages greater Third World debt. The U.S. renewable industries are asking that The World Bank be required to report on their strategy for increasing access to renewable energy resources and that this directive be tied to our U.S. contribution to The World Bank and other international development banks.

CONCLUSION

The U.S. renewable energy industry is in a fight for its life. Over half our sales are abroad. Yet our technologies which the United States financed in research and leads in technology, is losing market share to our industrial competitors. The industry needs some minor assistance to broaden U.S. industry support and to leverage further cooperation of the Agency for International Development. By encouraging renewable energy applications in the Third World, the United States will improve its trade balance, lessen Third World debt, and enhance world stability.

+++

Mr. COLLINS. Mr. Sklar, we will share the copy of the letter from Onsight Energy with the agency for their review and comments, and we will include both the letter and the agency's comments in the hearing record.

[The documents follow:]

ONSITE ENERGY

P.O. Box 9217
838 S.W. 1st, Suite 520
Portland, Oregon 97204
Telephone (503) 243-4033
FAX 243-4661

July 1, 1987

Mr. Orion Yeandal
Contracting Officer
USAID, AMEMBASSY CAIRO

Dear Mr. Yeandal:

I would like to register with you my serious dissatisfaction with the decision to award the USAID Ras Ghareb wind farm project to a wholly-owned Danish company -- WINCON -- when a fully competitive proposal was available from two wholly-owned U.S. firms -- Bergey Windpower Co. of Norman, Oklahoma, and ONSITE Energy Inc. of Portland, Oregon.

Bergey and ONSITE believe our original proposal (12/86) was technically superior to others received, as subsequent requests for "last and best offer" responses repeatedly incorporated features previously proposed by Bergey/ONSITE. We believe also that our cost proposal was close to or within USAID's budgeted amount for this demonstration project. Certainly it was so before USAID/Cairo elected to enlarge the project from 300 kW to 400 kW.

If these considerations are true, and our proposal was in the same cost range as that submitted by WINCON, then we are at a loss why USAID/Cairo would select a non-US firm over two US firms at a time when the US Congress, USDOE, and USAID/Washington are encouraging US renewable energy companies and US utilities (ONSITE is a subsidiary of Pacific Power & Light) to export their development capabilities and technology. I question this particularly, given that cost criteria were to account for only 18% of the evaluation, while technical and company factors were to count for the remainder.

The Bergey/ONSITE proposal offered demonstrable benefits not obtainable from WINCON, including company financial stability and utility interconnect and management experience. Further, the Solicitation encouraged submission of proposals using 55 kW units, guidance that Bergey/ONSITE adhered to despite the higher costs inheront in these smaller units. Had Bergey/ONSITE the larger (100 kW +) units as did the WINCON proposal, our costs would have been lower also and any cost differential would have largely disappeared as a basis for selection.

I am puzzled also by why this Solicitation was not restricted, as other such RFP's have been (eg. USAID/Morrocco Solicitation #85-004, for wind-driven water pump units) to "only offers from firms that are at least 51% owned by citizens of the U.S."

Such a restriction, or at least a preference, should be incorporated in favor of US firms in competition for projects funded by US taxpayer dollars at a time when US trade imbalances are a signal concern of this Administration and Congress. I have asked the Members of the Oregon delegation active in trade issues and USAID appropriations to enquire into USAID procurement policies in light of this decision by USAID/Cairo.

Bergey and ONSITE would appreciate a complete explanation of this award to WINCON. We also request, in light of the issues discussed above, that USAID/Cairo reconsider its decision.

Sincerely,

Angus Duncan
ONSITE Energy Inc.

cc: The Honorable Mark O. Hatfield
The Honorable Bob Packwood
The Honorable Ron Wyden
Mr. James Sullivan, Director USAID Energy Office
Mr. Robert Annan, Director USDOE CORECT Program
Mr. Mike Bergey, President Bergey Windpower

AD/jkh/EGYPT1

ONSITE ENERGY

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July 10, 1987

The Honorable Ron Wyden
United State House of Representatives
Washington, D.C.

+ Senators Hatfield
Packwood

Dear Ron:

Recognizing your interest in opening opportunities for Oregon and US firms to develop overseas markets, I am enclosing a copy of my letter to Mr. Orion Yeandal, USAID contracting officer, American Embassy, Cairo, Egypt.

The letter details my objections to the procedures and the criteria on which USAID determined to award a contract for a demonstration wind energy facility to a US subsidiary wholly-owned by a Danish company -- WINCON. A competitive proposal, offered by two US firms -- Bergey Windpower of Norman, OK; and ONSITE Energy of Portland, OR -- was available to USAID.

My concerns, which I hope you will share, have to do with using US taxpayer dollars, appropriated to USAID, to build up foreign (Danish) competition to US companies in the markets for advanced energy technology and know-how.

The proposal offered by Bergey/ONSITE, using a Danish turbine but US controls and other equipment, US design engineering and US utility expertise, was priced approximately 15% higher than the Danish proposal, largely because Bergey/ONSITE complied with USAID guidance regarding preferred turbine size. However, our proposal was still reportedly within USAID budget limits.

Other USAID solicitations stipulate at least a majority-owned US firm be awarded a project, and we feel this one should have as well at a time when US trade imbalances are of major concern to the US government.

We would like USAID/Cairo to reconsider its decision, and weigh in the balance the issues we have raised in our letter. Any assistance you can give in encouraging such action will be greatly appreciated.

Sincerely,

Angus Duncan
ONSITE Energy Inc.

ONSITE ENERGY

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Telephone (503) 243-4033
FAX 243-4661

July 17, 1987

Mr. James Sullivan, Director
USAID Office of Energy
Room 508, SA-18
Washington, D.C. 20523

Mr. Robert H. Annan. Director
Committee on Renewable Energy Commerce and Trade
USDOE
1000 Independence Avenue
Washington, D.C. 20585

Mr. Les Garden
USDOC
ITA/OGIM -- Room 2805
Washington, D.C. 20230

Gentlemen:

I am enclosing copies for you of my letter to Mr. Orion Yeandal, Contracting Officer, USAID/Cairo, Egypt. The letter has also been copied to Senators Hatfield and Packwood, and Congressman Ron Wyden, requesting their assistance in securing a review of the contract decision made by USAID/Cairo.

Without repeating the substance of the enclosure, Bergey Windpower Corporation and ONSITE Energy Inc. are concerned and upset that a competitive proposal from two wholly-owned US firms was rejected while a bid from a 100% foreign-owned company was accepted for a job funded with US taxpayer dollars.

We are also upset at the contracting procedures followed by USAID/Cairo, which unfairly put our technically superior proposal at a disadvantage.

Frankly, it is pretty discouraging to efforts by Bergey and ONSITE to market US renewable energy technology and utility expertise overseas, let alone to invest in energy facilities overseas, when an agency of the US government is so disinterested in supporting such export efforts that it goes out of its way to give business to firms from foreign countries.

I would appreciate your assistance in persuading USAID/Cairo to reconsider this unfortunate decision.

Sincerely,

Angus Duncan, Director
Small Utilities Group

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

August 4, 1987

Mr. Angus Duncan
Director
Small Utilities Group
Onsite Energy
P. O. Box 9217
838 S. W. 1st, Suite 520
Portland, Oregon 97204

Dear Mr. Duncan:

Thank you for your letter of July 17 regarding the Egypt wind energy project. The matter is being taken up with our A.I.D. Mission in Cairo and our A.I.D. Bureau for Asia and Near East in Washington.

The appropriate Agency staff will be in touch with you as soon as possible to respond to the concerns which you raise.

Sincerely,

Jim Sullivan

James B. Sullivan
Director
Office of Energy
Bureau for Science and Technology

UNCLASSIFIED
Department of State
INCOMING TELEGRAM

PAGE 01 CAIRO 01899 261510Z 9962 101927 AID9623
ACTION AID-00

ACTION OFFICE ANTR-03
INFO ANPD-05 GCAN-02 AMAD-01 GC-01 STEY-02 ES-01 RELO-01
TELE-01 ANEG-02 /022 A0

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TO SECSTATE WASHDC IMMEDIATE 8688

UNCLAS CAIRO 01899

AIDAC

FOR ANE/TR/ENR, R. ICHORD

E.O. 12356: N/A
SUBJECT: WIND FARM PROCUREMENT AND PROTEST BY ANGUS DUNCAN OF ONSITE ENERGY

ON AUGUST 17, 1987 USAID CONTRACTING OFFICER, ORION YEANDEL SENT A LETTER TO MR. ANGUS DUNCAN, ONSITE ENERGY INC., 838 SW 1ST SUITE 520 PORTLAND OR 97204, ANSWERING HIS LETTER CONCERNING THE AWARD TO WINCON ENERGY CORP. FOR CONSTRUCTION OF A WIND FARM AT RAS GHAREB EGYPT.

THE LETTER STATES:

DEAR MR. DUNCAN:

YOUR LETTER DATED JULY 1, 1987 SENT TO THE US EMBASSY, CAIRO BY INTERNATIONAL MAIL WAS RECEIVED ON AUGUST 13, 1987. FOR QUICKER AND MORE SURE DELIVERY, PLEASE FEEL FREE TO USE OUR NEW YORK MAILING ADDRESS:

ORION YEANDEL
USAID/CAIRO
BOX 10, MGT/CS
FPO N.Y. 09527

WE APPRECIATE YOUR CONCERN THAT THE SOLICITATION FOR A WIND FARM AT RAS GHAREB IN EGYPT (RFP NO. 263-50047) BE RESTRICTED TO U.S. COMPANIES, WHICH INDEED IT WAS. THE ACCEPTED BIDDER, WINCON CORPORATION OF LIVERMORE, CALIFORNIA, QUALIFIES BECAUSE IT IS INCORPORATED WITHIN THE STATE OF CALIFORNIA. IN ADDITION, THE TURBINES OFFERED BY WINCON WILL BE MANUFACTURED IN THE UNITED STATES
CONCERNING THE SIZE OF THE WIND TURBINES. THE RFP DOES NOT MENTION 55KW AS THE TURBINE SIZE. THE RFP DOES STATE "50KW (APPROXIMATELY) OTHER SIZES WILL RECEIVE EQUAL CONSIDERATION".

IN SUMMARY, THE DECISION TO AWARD TO WINCON WAS IN COMPLETE ACCORD WITH AID REGULATIONS.

WE SINCERELY HOPE THIS EXPERIENCE WILL NOT DISCOURAGE YOU FROM RESPONDING TO FUTURE REQUEST FOR PROPOSALS AND LOOK FORWARD TO YOUR CONTINUED INTEREST IN A.I.D. PROGRAMS.
- SINCERLY YOURS,
- ORION YEANDEL
- CONTRACTING OFFICER
COVEY

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

SEP 28 1987

The Honorable Bob Packwood
United States Senator
101 SW Main
Suite 240
Portland, Oregon 97204-3210

Dear Senator Packwood:

This is in further response to your letter of July 29, concerning the award of the contract for a small wind farm at Ras Ghareb under A.I.D.'s Egyptian Renewable Energy Field Testing project.

Our A.I.D. Mission in Cairo recently received the letter from Mr. Angus Duncan of Onsite Energy which was mailed on July 11 by international mail and arrived in Cairo on August 13, 1987. The solicitation for the Ras Ghareb Wind Farm was restricted to U.S. companies and the awardee, Wincon Corporation, qualifies because it is incorporated in the State of California.

It should be noted that Onsite Energy, teamed with Bergey Wind Power Company, proposed using wind turbines from a Danish company, with only the propellers listed as being made in the United States. The contract awardee by contrast proposed using wind turbines that are over 60 percent manufactured in the United States.

Concerning the size of the wind turbine, the Request for Proposals does not mention 55kw as the turbine size. The Request for Proposals does state: "50kw (approximately) and other sizes will receive equal consideration."

In summary, the award of the contract to Wincon was in complete accordance with A.I.D. regulations.

We appreciate your interest in the A.I.D. program in Egypt. Please let us know when this office can be of further assistance.

Sincerely yours,

Kelly C. Kammerer

Kelly C. Kammerer
Director
Office of Legislative Affairs

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

SEP 28 1987

The Honorable Mark O. Hatfield
United States Senator
475 Cottage NE
Salem, OR 97301

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Sincerely yours,

Kelly C. Kammerer

Kelly C. Kammerer
Director
Office of Legislative Affairs

Mr. SKLAR. Thank you very much.

Mr. COLLINS. Thank you very much.

We will next hear from Bill Birkhoffer for the American Consulting Engineers Council.

AMERICAN CONSULTING ENGINEERS COUNCIL

STATEMENT OF BILL BIRKHOFFER, VICE CHAIRMAN, AMERICAN CONSULTING ENGINEERS COUNCIL

TRADE DEVELOPMENT PROGESS

Mr. BIRKHOFFER. Mr. Collins, I appreciate your taking the time you have with the committee this afternoon to hear some brief remarks from us, and since we have submitted our statement previously for the record and it will be included, we will simply excerpt from that statement and embellish where we think it is desirable.

By way of background, my firm, the URS Corporation, is one of some 100 firms in a group of international consulting engineering companies in the American Consulting Engineers Council. That group of firms probably derives something in the neighborhood of several hundred million dollars a year in export potential based on specification of U.S. designs, products and services in the overseas market place.

I think that our view of the current dialogue on trade here in the Congress and in the administration and elsewhere in the United States is that it is all well and good to focus on retaliatory practices and mandatory sanctions and so forth, but that begets the question, what are we doing about the front-end of the whole trade development process?

Your committee deals with export promotion, export financing in terms of the range of programs that you have in your jurisdiction and that is really what we prefer to address here today. Suffice to say that we are seeing growing competition too, just as the previous witness noted, and it is not strictly coming from Japanese and European competitors that we face.

Very recently, by way of anecdote, we had a group of Indian consulting engineers here in town. We met with them. We found them to be very aggressive and assertive, very interested in coming into the U.S. marketplace, and with considerable facility from their government to the point where they obtained grants and subsidies for establishing overseas offices, committing certain resources to their proposal development projects and so forth.

I think, suffice to say by this example, there are many things done in coordinations that are probably not acceptable to us and not realistic in our society, but I think it does cause us to focus on the resources we do have available and suggest that we make the highest and best use of those.

PENDING TRADE BILL

Specifically, with regard to the trade and development program, there is, in the pending trade bill, authority to include an appropriation of some $50 million, a good portion of which, some $25 million, would be dedicated to what is termed "training."

We welcome the expansion of TDP's authority. They are dollar for dollar, in our view, one of the most effective and productive of the U.S. Government agencies associated with export promotion.

We would hope that the meaning of training, however, would not be focused purely or simply on academic education, but on applied kinds of training, field training, vocational training, training in such fields as operations and maintenance, plant start up, which really are tied to the export of goods and products and services and the development of capital projects overseas.

ROLE OF AID

With respect to the Agency for International Development, we agree that AID could play a much greater role in the promotion of U.S. exports. As a practical matter, they have one of the best delivery systems overseas of any U.S. Government agency in that they are in so many countries in the developing world.

It seems to us that their mission personnel could really serve as a first line of market entry or market intelligence gathering, if they could focus on those kinds of activities as well as their basic developmental missions.

We would simply seek to orient AID, if we could, to a focus that is more whole world, if you will, not so much——

OVERSEAS SUPPORT FROM DEPARTMENT OF COMMERCE

Mr. COLLINS. Do you get any support from the Department of Commerce overseas?

Mr. BIRKHOFFER. To a degree we do, and I must say that the foreign commercial service development over the last several years has been a dramatic improvement. We are seeing very, very good things coming from the FCS personnel in particular.

I think the problem that we face, Mr. Collins, is that there are so many U.S. Government agencies overseas involved in technical exchanges, technology transfers, or other activities of one form or another, quite often these government agencies overlap in their activities. They are duplicative. In many cases they compete directly with our interest, and in virtually all cases, we have no way of knowing what these agencies are doing before the fact.

There is no appropriate means of coordinating and integrating our activities in the private sector with theirs. Just in the 607 authority area alone, it looks to me like virtually every cabinet level and independent agency of the U.S. Government that has any technology mission to it is overseas in some form or fashion.

It occurs to us at ACEC that if somehow there were a mechanism, perhaps some appropriate legislative authority where these agencies could be empowered to serve as a market entry vehicle for us, collaborating with us perhaps on a non-exclusive basis with U.S. firms. In a joint effort overseas, we might get to much further down the road towards effective export promotion.

That does appear as a practice in other foreign governments and we think that stopping short of creating a national industrial policy or a government driven export policy, there is a greater potential for collaboration and cooperation there.

Let me mention also that in the trade bill, we are heartened by the notion that there could be a broadening of the staff in the offices of the U.S. executive directors of the multilateral development banks. It is our perception that the Japanese and our Western European competitors in particular make fairly effective use of gaining advance information, preappraisal reports and so forth that serve to acquaint Japanese and Western European industry with what is coming down stream in the way of major trading opportunities.

We think we ought to have the same facility to do that, and we urge your support for that.

EXIM BANK

In the U.S. Export-Import Bank area. It is no secret that there is a recent competitiveness study of the bank, which U.S. business clearly notes the Japanese and the French are probably a bit ahead of us in terms of financing overseas.

I think what we are looking for there is perhaps a closer tie, again, to the activities of other U.S. Government agencies. It occurs to us, for example, that if there can be a better means of communicating and coordinating the prefeasibility activities of TDP, ensuring that there is some downstream capability to refund an export related project or activity through the Eximbank and that can be tied up fairly early in the process, it does give some effective leverage to a U.S. company that is trying to compete against similar kinds of schemes again emerging from Japan.

Mr. COLLINS. Did you happen to attend our hearing last Tuesday?

Mr. BIRKHOFFER. No, I did not.

EXPORT FINANCING

Mr. COLLINS. We had a hearing on export financing, where this subcommittee is beginning to approach the very thing that you are speaking about, trying to draw together the Trade Credit Insurance Program, the OPIC, TDP and Export-Import Bank, so that it is a collaborative effort on the part of all four entities to promote trade.

Mr. BIRKHOFFER. That is great. I think, irrespective of whether a firm is large or small the ability of your so-called "one-stop shop" is a pretty good thing, and it really does serve to coordinate all of our activities much more effectively.

Let me leave with you a copy of an annual report from the Japanese Industrial Cooperation Agency that talks somewhat about the experience of the Japanese in that regard, and I am not necessarily holding that up as a model, but simply as a comparison to some of the kinds of things that we are facing among our competitors.

I think, in short, we need to begin to work as government and private industry fight fire with fire, if you will, but perhaps more appropriately, to really use some imagination and creativity.

We are not necessarily looking for greater amounts of funding so much as we are weaving together of the whole structure of U.S. export finance, export promotion programs to be a more effective tool for us in the overseas marketplace.

Once we get to that point, then we are going to be able to take a diagnostic look and say what else is necessary, but right now, we would like very much to see many of these programs more tightly woven and we certainly urge this committee to take a good look at that, and we would be willing to respond with additional information or questions that you might have.

[The prepared statement of Mr. Birkhoffer follows:]

STATEMENT

on behalf of the

AMERICAN CONSULTING ENGINEERS COUNCIL

by

Bill Birkhofer

VICE CHAIRMAN ACEC INTERNATIONAL ENGINEERING COMMITTEE

INTRODUCTION

Mr. Chairman and members of the Subcommittee on Foreign Operations, my name is Bill Birkhofer. I appear before you today as Vice Chairman of the American Consulting Engineers Council's (ACEC) International Engineering Committee.

The American Consulting Engineers Council (ACEC) applauds congressional efforts to address our nation's growing trade deficit and our lack of a coordinated and integrated trade policy. S1420, the Omnibus Trade bill, comes a long way in shoring up U.S. trade policy but in the opinion of many of our members who practice engineering in overseas markets the key to expanding the export of U.S. goods and services is financing. Therefore, in our opinion, Mr. Chairman, it is your Committee which holds the power to turn our trade deficit around.

The American Consulting Engineers Council (ACEC) is a national trade association representing 4,700 U.S. independent engineering firms with nearly 130,000 employees. Our firms provide a broad range of planning, design management and related engineering services to a variety of public and private clients in the United States and around the world. I have brought along, for your further information, ACEC's international engineering directory to show you the types of firms and projects on which out members work.

While major trade legislation introduced in Congress pays a great deal of attention to important aspects of trade negotiations, investigations under section 201 and section 301, and authority for retaliation to unfair trade practices, in our opinion not enough attention has been paid to the "front-end" trade promotion activities for U.S. exports. Rather than concentrating on "after-the-fact", reactive measures, we believe our government must adopt positive proactive measures which will enable U.S. businesses to compete effectively in the world market.

Front-end trade promotion is essential because in today's practice of engineering the firm which initially performs a feasibility study for a development project is usually favored for the substantially larger follow-up work. A follow-on contract normally involves project design and preparation of detailed construction plans and specifications; increasingly nowadays it may also include the provision of professional services during project implementation. In value, follow-on contracts are three to five times the size of feasibility studies and they constitute the major engineering aspect of project development. They are considered the bread and butter of the engineering profession.

Although the fees for engineering services are generally only 6 to 12 percent of total project cost, these services are recognized as the "opening wedge" of export expansion programs. This is brought about because in the design and preparation of plans and specifications, consulting engineers determine the kind of material and equipment as well as the construction services that will ultimately be used in a project. Although the final selection of these goods and services is determined through a competitive bidding process, experience indicates American manufacturers, suppliers and contractors can more successfully compete when project plans and specifications are prepared by U.S. consulting engineering firms. Therefore, early U.S. engineering involvement has a compounding multiplier effect on the subsequent export sales of equipment, goods and services many times the actual value of the engineering services provided.

During the last decade, we have seen competition for the world's engineering/construction market increase at an astonishing rate. As overseas markets, such as the Middle East, have declined, competition for the remainder has intensified, often from firms and countries which did very little or no international work only ten years ago. Never before has the field been so compressed and never before has financing both for feasibility studies and for various other stages of project implementation played so crucial a role.

In today's competitive world, our foreign trade competitors appear to be playing under a different structure and by a different set of rules. Consequently, the U.S. must be more aggressive in meeting their challenge. Our appearance here today is to ask your support for those programs which would directly enhance the competitiveness of the U.S. private sector in the overseas market.

Specifically, ACEC urges modification and expansion of the U.S. Trade and Development Program (TDP) so that this agency can play a more significant role in a coordinated and integrated national export program. We support an appropriation of $50 million for TDP and the authority to use these funds for training programs. However, we do not see the need, as current language in S1420 states, that an additional $25 million should be available "only" for training. The word "only" should be changed to "up to" and TPD in conjunction with the private sector interests involved in a particular project should then decide on the best combination of funding. We hope the word "education" which is used in the trade bill, does not mean that TDP will be financing university and degree related programs. While there is a role for university and colleges in development assistance, TDP should be concentrating on financing of project-related training tied to exports of U.S. goods and services, and we hope this point can be emphasized in both the authorizing and appropriations legislation. ACEC supports the expansion of the training component to include other countries as well as China and Taiwan. The industry was glad to hear that the Senate was willing to broaden the legislation to do just this.

ACEC believes that the Agency for International Development (AID) must play a greater role in the promotion of U.S. exports. We believe that AID must become more trade sensitive and utilize its resources in a manner that increases opportunities for U.S. private enterprise. The fact is that AID personnel, operating from missions located throughout the developing world, have first-hand knowledge of potential development projects and activities and can play an important information gathering and coordinating role in fostering U.S. trade opportunities. In addition, AID's foreign assistance funding should provide for a better balance between improvement of basic human needs and the development of supporting infrastructure. We believe such steps are necessary to the accomplishment of U.S. foreign policy objectives and the development needs of the third world, and thus are not in conflict with AID's role.

Expansion of the Offices of U.S. Executive Directors in the multilateral development banks to include an official in each to provide procurement advice and foster U.S. trade promotion would invaluably assist the U.S. private sector in capturing more MDB-financed projects. Additionally, with regard to the multilateral development banks, we believe that the U.S. must act cautiously and reasonably in asserting concern over environmental quality and not seek to impose requirements on third-world countries that cannot be realistically met. It is the obligation of the MBD's and their consultants to ensure that the design of bank financed projects and development plans are environmentally sound and therefore we support full consideration of the environmental impact from the earliest stages. However, we do not believe it is necessary to force the rigid adoption of environmental standards of a developed country, like the United State, developing nations concerned with a broad range of complex social, cultural, economic and political needs and goals.

We continue to believe that the priority of the U.S. Export-Import Bank should be to establish low interest credit programs for the export of services such that U.S. financing under these programs will always be competitive in the international market-place. We heartily endorse attempts at the bank to simplify and speed up the decision making process at EXIM but U.S. exports will continue to decline without financing which is as competitive as that provided by our foreign counterparts.

Finally, U.S. government agencies, such as the Corps of Engineering, Bureau of Reclamation, Federal Highway Administration and others need to utilize their unique professional services capabilities and publicly-funded technology in conjunction with and in support of private enterprise to compete for significant international projects. We continue to call for joint U.S. government/private enterprise partnerships similar to those employed by our competitors.

In conclusion, we need to fight fire with fire. We believe that the deterioration in our balance of payments will continue if the United States fails to take a more aggressive and coordinated approach to export promotion and expansion. Therefore, we urge early action on the key points set forth above.

Mr. Chairman, I appreciate the opportunity to testify before your committee today. I would be happy to answer any questions.

Mr. COLLINS. Please feel free to keep us informed by letter as things unfold.

Mr. BIRKHOFFER. Very good.

Mr. COLLINS. Thank you very much.

Mr. BIRKHOFFER. Thank you for your time.

Mr. COLLINS. We will next hear from Kenneth Luchs, the Chairman of the International Policy Committee of the National Association of Realtors.

NATIONAL ASSOCIATION OF REALTORS

STATEMENT OF KENNETH LUCHS, CHAIRMAN, INTERNATIONAL POLICY COMMITTEE, NATIONAL ASSOCIATION OF REALTORS

ACCOMPANIED BY JACK HAWLEY, STAFF DIRECTOR, INTERNATIONAL POLICY COMMITTEE, NATIONAL ASSOCIATION OF REALTORS

WORLD HOUSING PROGRESS

Mr. LUCHS. I have with me Jack Hawley, Staff Director of the International Policy Committee.

The National Association of Realtors has already submitted 10 copies of our testimony to the subcommittee, so my testimony here is a synopsis of that statement and will only take 5 minutes to read.

The National Association of Realtors believes that the United States has a major stake in world housing progress. We know the strong desire of people in our own country for decent housing, home ownership, and the importance these have to our political and social stability and economic growth.

We are pursuaded that improvements in housing and home ownership or other forms of secure tenure are fundamental elements of political, economic and social advancement in other countries.

When people have stake in their own country, they will preserve it. When people own a piece of land or a home, they will improve them. The governments will help remove the institutional constraints affecting the availability of housing, mainly land, public service and finance.

Individual initiative and private sector responses for the actual building will be called forth.

The National Association of Realtors supports AID's housing guarantee program, because it fosters policies overseas we support in favor of private property rights and private industry.

Through this program, AID has a unique opportunity to play an instrumental role in many countries in the development of national housing policies, which reflect the values in which we believe and without which no housing program can be really effective.

We wish to reemphasize our commitment to this program, especially as all forecasts warn of a deepening worldwide housing crisis. The housing guarantee program, requiring only modest funding, represents an effective social and economic instrument of positive change in countries where the U.S. maintains critical security interest.

INTERNATIONAL YEAR OF SHELTER

The United Nations has proclaimed 1987 as the International Year of Shelter, a year dedicated to seeking a worldwide recommitment to address the housing crisis.

The United States has pledged to support the goals of the International Year. Congress has acted twice in the past two years to continue the housing guarantee program. The Administration has now restored the AID housing guarantee program in the fiscal year 1988 budget request, though, at a substantially lower level.

Frankly, we believe that the United States should be more actively involved in promoting the goals embodied in the housing guarantee program, not less. We strongly recommend that the Congress continue the program at an adequate level in fiscal year 1988, and that AID be directed to give more priority to housing and urban issues in the future.

We urge that the lower level of guarantee authority requested for fiscal year 1988, not establishing new lower benchmark for future authorizations.

U.S. efforts through AID's housing guarantee program should be complimented by continuing the U.S. contribution to the United Nations Center for Human Settlements.

The National Association of Realtors requests that the United States contribute $1 million in fiscal year 1988 and for the next several years to the UNCHS. These funds should be diverted from other U.N. agencies financed in the international organizations account of the Foreign Assistance Act. Congress appropriated $400,000 in fiscal year 1986, and fiscal year 1987, for UNCHS. These funds were provided as a voluntary contribution by the United States in support of the 1987 International Year of Shelter for the Homeless. The request to provide this funding was supported by the National Association of Realtors, the U.S. League of Savings Institutions, and the Cooperative Housing Foundation.

The request was based on our belief that this small U.N. agency is doing a good job with relatively little funding. It is trying to keep the serious problem of shelter before the world, and is developing and recommending sensible policies to deal with the problems.

The four committees of Congress with jurisdiction supported the appropriation for UNCHS. The funds provided were used for demonstration projects to provide improved shelter, infrastructure and services for the poor in the developing world.

U.N. COMMISSION ON HUMAN SETTLEMENTS

The 10th Session of the U.N. Commission on Human Settlements concluded in Nairobi in May. The Secretariat produced two excellent documents to guide world thinking on dealing with housing problems. We have taken the liberty of enclosing these documents with our statement for the record.

The formula for dealing with the shelter problems in developing countries produced by the UNCHS is excellent and forcibly states what U.S. AID and the World Bank have been advocating for some time. The U.S. Department of State has acknowledged that the UNCHS is a small, effective U.N. agency dealing with a grave worldwide housing problem in a sensible way.

We believe, therefore, the United States should continue to express its support by continuing a modest U.S. contribution in fiscal year 1988 and thereafter. A U.S. contribution, as did the last, should help attract additional funds from other countries and help UNCHS continue its important work, including implementation of a U.S.-initiated resolution passed unanimously in Nairobi.

That resolution endorses the creation of national shelter coalitions, through which governments may help immobilize all non-governmental resources in a partnership devoted to the provision, expansion and improvement of shelter for all.

Shelter and urban improvement are central to economic and democratic development. Greater priority must be given to them in our foreign assistance policies, as those are carried out through AID, the World Bank, the U.N. Development Program, and other regional banks.

We believe Congress should call for a report from these agencies, which describes the current problem, and their approaches to solving it.

INTERNATIONAL SHELTER CONFERENCE

For its part, the National Association of Realtors has been actively involved in organizing a private sector approach to the world housing problem. NAR recently organized the second International Shelter Conference, which was held in Vienna, Austria, September 10 to 12, 1986. This conference is a private sector effort in support of the International Year of Shelter for the Homeless.

The 10 national and 5 international private sector associations sponsoring the conference have members in more than half the countries of the world and on every continent. The conference produced the Vienna recommendations on shelter and urban development, which we believe to be one of the most suscinct and comprehensive documents in the housing field, with respect to policy formulations.

It defines the principles, policies, and action steps necessary to address the problem of shelter and urban development in any given national situation. The Vienna recommendations are offered as a contribution by the sponsoring organizations and conference participants, the global policy dialogue on housing.

There is hope that they will serve as a sound general basis for an effective partnership between the public and private sectors in specific national situations where housing is a serious problem and where a sensible framework for action is desired.

The International Year of Shelter is designed to mobilize all participants in the shelter process. In short, is seeks to forge effective public-private partnerships in which governments would enable and support the activities of those actually providing shelter and infrastructure, the people themselves, and a wide variety of formal and informal private sector operators.

The Vienna recommendations lay out the policy framework required to achieve this end. Key principles include home ownership and security of tenure, a sound economic framework to stimulate housing investment crucial for economic growth, an adequate legal system to hold and transfer property, the banking system operating in a sensible regulatory environment providing adequate returns and with sensible lending policies, minimization of subsidies, government provision of trunk infrastructure and of basic public services.

The National Association of Realtors will continue to play a leading part and encourage other important private associations and groups to help solve the problem of housing low-income families everywhere.

Thank you.

[The prepared statement of Mr. Luchs follows:]

Statement of the
NATIONAL ASSOCIATION OF REALTORS®

The NATIONAL ASSOCIATION OF REALTORS® believes that the United States has a major stake in world housing progress. We know the strong desire of people in our own country for decent housing, homeownership, and the importance these have to our political and social stability and economic growth. We are persuaded that improvements in housing and homeownership, or other forms of secure tenure, are fundamental elements of political, economic, and social advancement in other countries. When people have a stake in their own country they will preserve it. When people own a piece of land or a home they will improve them. If governments will help remove the institutional constraints affecting the availability of housing - mainly land, public service and finance - individual initiative and private sector responses for the actual building will be called forth.

The NATIONAL ASSOCIATION OF REALTORS® supports AID's Housing Guaranty Program because it fosters policies overseas we support in favor of private property rights and private initiative. Through this program, AID has a unique opportunity to play an instrumental role in many countries in the development of national housing policies. We wish to re-emphasize our commitment to this program especially as all forecasts warn of a deepening worldwide housing crisis. The Housing Guaranty Program, requiring only modest funding, represents an effective social and economic instrument of positive change in countries where the U.S. maintains critical security interests.

The United Nations has proclaimed 1987 as the International Year of Shelter, a year dedicated to seeking a worldwide recommitment to address the housing crisis. The U.S. has pledged to support the goals of the International Year. Congress has acted twice in the past two years to continue the Housing Guaranty Program. The Administration has now restored the AID Housing Guaranty Program in the FY 1988 budget request though at a substantially lower level. Frankly, we believe the U.S. should be more actively involved in promoting the goals embodied in the Housing Guaranty

Program. We understand the current budget situation which may necessitate this reduction. However, we urge more priority and a sharper focus in the future on housing and urban problems and restoration of historical authorization levels for AID's Housing Guaranty Program.

The NATIONAL ASSOCIATION OF REALTORS® has organized the International Shelter Coalition, private sector organizations actively working on worldwide housing issues. NAR recently organized the Second International Shelter Conference which was held in Vienna, Austria, September 10-12, 1986. This Conference was a private-sector effort in support of the International Year of Shelter for the Homeless. The objective of the conference was to produce an authoritative private-sector statement which would define the principles, policies and action steps necessary to address the problem of shelter and urban development in any given national situation.

The Conference brought together a coalition of senior, predominantly private sector, housing professionals from 32 countries. The ten national and five international private sector associations sponsoring the conference have members in more than half the countries of the world and on every continent. These were:

NATIONAL ASSOCIATION OF REALTORS®
International Union of Building Societies and Savings Associations (IUBSSA)
International Real Estate Federation (FIABCI)
National Federation of Real Estate Transaction Associations (Japan)
United States League of Savings Institutions
African Union of Building Societies
Building Societies Association (UK)
Caribbean Association of Building Societies and Financial Institutions
Canadian Real Estate Association (CREA)
Cooperative Housing Foundation (USA)
FIABCI-Netherlands
Interamerican Housing Union
Mortgage Bankers Association (USA)
National Association of Home Builders (USA)
National Council of Savings Institutions (USA)

Participating public organizations included: the United States Agency for International Development; the U.S. Department of Housing and Urban Development; the United Nations Centre for Human Settlements; the World Bank; the Development Assistance Council of the Organization of Economic Cooperation and Development; the Canada Mortgage and Housing Corporation; and Ministers and high officers of several housing ministries and agencies in developing countries.

The Conference produced the Vienna Recommendations on Shelter and Urban Development which we believe to be one of the most succinct and comprehensive documents in the housing field with respect to policy formulation. We believe the Vienna Recommendations will test well when applied in the crucible of experience. These recommendations were subject to itense analysis and debate prior to their presentation in the Conference Plenary by a group of housing experts drawn primarily from the private sector in the developing world. The NATIONAL ASSOCIATION OF REALTORS®' Board of Directors, on behalf of its 750,000 members, formally approved the recommendations in November 1986. The Canadian Real Estate Association, the Building Societies Association of the U.K., and the International Real Estate Federation have also adopted the Vienna Recommendations. They are in the process of being acted upon by the other sponsoring organizations as well. They are also being widely circulated for formal adoption by other public and private-sector shelter organizations throughout the world. The Vienna Recommendations are offered as a contribution by the sponsoring organizations and conference participants to the global policy dialogue on housing. It is hoped that they will serve as a sound general basis for an effective partnership between the public and private sectors in specific national situations where housing is a serious problem and where a sensible framework for action is desired.

It is fitting that the Vienna Recommendations should be offered on the tenth anniversary of the Vancouver Declaration on Human Settlements and the International Year of Shelter for the Homeless. The experience of a decade is now behind us and its lessons have been distilled. New directions based on today's changed reality are now in order.

The International Year of Shelter is designed to mobilize all participants in the shelter process. In short, it seeks to forge effective public/private partnerships in which governments would "enable" and support the activities of those actually providing shelter and infrastructure: the people themselves and a wide variety of formal and informal private-sector operators. The Vienna Recommendations lay out the policy framework required to achieve this end. Key principles include homeownership and security of tenure; a sound economic framework to stimulate housing investment crucial for economic growth; an adequate legal system to hold and transfer property; a banking system operating in a sensible regulatory environment, providing adequate returns and with sensible lending policies; minimization of subsidies; government provision of trunk infrastructure and of basic public services.

AID, through the Housing Guaranty Program, is promoting sensible policies which coincide with the Vienna Recommendations. We strongly recommend that the Congress continue the program at an adequate level in FY 1988 and that AID be directed to give more priority to housing and urban issues in the future. We urge that the lower level of guaranty authority requested for FY 1988 not establish a new, lower benchmark for future authorizations. We attach six copies of the Proceedings of the Second International Shelter Conference which include the full text of the Vienna Recommendations. This document contains facts and closely reasoned arguments why the U.S. must play a leading role in housing matters throughout the world. The NATIONAL ASSOCIATION OF REALTORS® will continue to play a leading part and encourage other important private associations and groups to help solve the problem of housing low-income families everywhere.

U.S. efforts through AID's Housing Guaranty Program should be complemented by continuing the U.S. contribution to the United Nations Centre on Human Settlements (UNCHS). The NATIONAL ASSOCIATION OF REALTORS® requests that the U.S. contribute $1 million a year in FY 1988 and for the next several years to the UNCHS. These funds should be diverted from other U.N. agencies financed in the International Organizations Account of the Foreign Assistance Act.

Congress appropriated $400,000 in FY 1986 and FY 1987 for UNCHS. These funds were provided as a voluntary contribution by the U.S. in support of the International Year of Shelter for the Homeless (IYSH) which was 1987. The request to provide this funding was supported by the NATIONAL ASSOCIATION OF REALTORS®, the U.S. League of Savings Institutions, and the Cooperative Housing Foundation. The request was based on our belief that this small U.N.

agency is doing a good job with relatively little funding. It is trying to keep the serious problem of shelter before the world and is developing and recommending sensible policies to deal with the problem.

The four committees of Congress with jurisdiction, supported the appropriation for UNCHS. The funds provided were used for demonstration projects to provide improved shelter, infrastructure and services for the poor in the developing world.

The Tenth Session of the U.N. Commission on Human Settlements has just concluded in Nairobi. The Secretariat produced two excellent documents to guide world thinking on dealing with housing problems. These are: "Shelter and Services for the Poor - A Call to Action" and "A New Agenda for Human Settlements." Copies are attached.

The formula for dealing with the shelter problems in developing countries produced by the UNCHS is excellent and forcibly states what USAID and the World Bank have been advocating for some time. The U.S. Department of State's evaluation of these documents and of the Nairobi conference are contained in the State Department's summary cable which is also attached hereto. The Department of State would acknowledge that UNCHS is a small, effective U.N. agency dealing with a grave, worldwide housing problem in a sensible way. We believe, therefore, the U.S. should continue to express its support by continuing a modest U.S. contribution in FY 1988 and thereafter. A U.S. contribution, as did the last, should help attract additional funds from other countries and help UNCHS continue its important work, including implementation of a U.S. initiated Resolution passed unanimously in Nairobi. That Resolution endorses the creation of National Shelter Coalitions "through which Governments may help to mobilize all non-governmental resources in a partnership devoted to the provision, expansion and improvement of shelter for all." A copy of the Resolution is attached.

Shelter and urban improvement are central to economic and democratic development. Greater priority must be given to them in our foreign assistance policies as those are carried out through AID, the World Bank, UNDP, and other regional banks. We believe Congress should call for a report from these agencies which describes the current problem and their approaches to solving it.

Mr. COLLINS. Thank you, Mr. Luchs. We appreciate your testimony and the committee welcomes the support of the National Association of Realtors for the housing investment guarantee program.

I would note that one of the things that we have been trying to achieve over the past several years has come to fruition and that the request for borrowing authority is nearly double what it was last year for the HIG program.

We hope that that will indicate stronger support and make it financially sound.

Mr. LUCHS. We appreciate that.

Mr. COLLINS. Thank you very much.

If we can now hear from Hugh Mields from the Habitat International Council.

HABITAT INTERNATIONAL COUNCIL

STATEMENT OF HUGH MIELDS, JR., AICP, HABITAT INTERNATIONAL COUNCIL

REEXAMINATION OF AID PROGRAMS

Mr. MIELDS. Our testimony is directed toward two objectives. First, I would like the subcommittee to consider the need to reexamine current AID programs and fund allocations in the light of accelerating urbanization which has taken place over the last three decades, and which continues to characterize population growth and distribution in the developing countries.

U.N. CENTER FOR HUMAN SETTLEMENTS

Second, we would like to address the need for the U.S. to continue funding the U.N. Center for Human Settlements and to set the amount of the U.S. contribution at $1 million per year for at least the next 2 years.

Our perception of the magnitude and importance of the problems of urban growth and development pose for developing countries is a product of, among other things, U.S. AID's own experience with the housing guarantee program over the last 25 years.

Also, other nations' foreign assistance programs and those of international assistance agencies such as the U.N. Center for Human Settlements and the World Bank, increasingly seem to be sharing the view that I am expressing here today about the problems and opportunities facing the developing world.

First, let me outline some of the basic assumptions underlying the position that aid to developing countries should be increasingly focused on helping communities give the poor improved access to decent shelter, social and health services and job opportunities. By communities, we mean to include not only local governments, but also nongovernmental organizations, community based organizations and the private sector.

Communities are the physical expression of economic and social activity. No creative act takes place without being influenced by community life. The creation of workable communities is a prerequisite for social and economic development. Places where people can live, learn, and work in conditions of safety, comfort and efficiency are a fundamental and elementary need. Communities are also expressions of society's ability to satisfy some of the fundamental needs of its members. They can show accomplishments as well as expose failures such as destitution, neglect and inequality.

Finally, communities are essential for social and economic development. Social progress for the sustainable economic growth is dependent on the relative efficiency of existing community systems and networks.

INVESTMENTS IN COMMUNITY DEVELOPMENT

Increasing investments in community development will not only help provide more adequate housing, infrastructure and social services, but also should contribute to the building of an engine of internal economic growth. Community shelter and economic investment can foster overall productivity growth and indirectly promote the production of goods for export and a more resilient economic base.

Assuming current population trends continue unabated, by the year 2000 almost 2 billion people will be living in urban areas in the less developed regions, an increase of 1.7 billion since 1950.

Urbanization rates in the developing countries are three times those of the industrialized world. By the end of this century, three out of every five of the world's megacities, cities with populations of 10 million or more, are projected to be in the developing countries, eight of which are likely to be in Africa.

The developing countries have been unable to cope with urbanization. Today, over 1 billion persons are living as squatters, in shacks, or on the streets without access to potable water, electricity, sewer systems, transportation, health and family planning services, educational opportunities or access to decent jobs.

AID's office of Housing and Urban Programs has a fiscal year 1988 budget of less than $5 million for grants, and $100 million for the housing guarantee program, which we previously alluded to. With the possible exception of an occasional ESF grant, no U.S. foreign assistance bilateral program authorizes grants or concessionary loans for shelter programs or for urban infrastructure development to developing countries.

The United Nations reports for the period 1980 to 1984, just 5 percent of concessional aid and 6.5 percent of non-concessional loans went to projects which sought to improve shelter in the neighborhood environment in the developing countries.

Other reports on the history of aid in developing countries suggest that over 90 percent of all assistance has gone to rural areas, not withstanding the demographic changes that have taken place over the last few decades.

Experienced observers in AID, as well as in most of the other international donor agencies, generally agree that the seemingly overwhelming problems of shelter and community development in the developing countries can be mitigated. The solution lies in developing maximum reliance on individual families, supportive non-governmental organizations and the private sector and in the concentration of government's role to do those things that individuals can't do for themselves.

Given the increasing seriousness of the developing countries' shelter and settlement problems and the potential that exists for their mitigation, AID should be directed to reexamine the nature of the role it can play in the process as a reasonable and concerned donor agency.

Such analysis should take into account the work of all international donor organizations as well as the rural and agricultural priorities which control their efforts.

U.N. CENTER ON HUMAN SETTLEMENTS

Now, as to the second objective, we would like to urge the authorization of an annual U.S. contribution of $1 million to the U.N. Center on Human Settlements.

Congress approved a contribution in 1987 and 1986 for the Center, which was $383,000 in 1986, $400,000 in 1987, the money to be used for the International Year of Shelter for the Homeless. The funds financed initiatives in conjunction with the private sector, to explore ways to improve shelter, infrastructure and services for the poor and homeless in the cities, towns and villages of the developing world.

The recommended $1 million per year contribution would represent an increase from 18/100ths of a percent to 4/10ths of a percent of the total amount authorized for voluntary contributions to international organizations and programs by the 2-year authorization, 1986–87.

This is a modest amount of funds that we are looking for. The U.N. Center is a small agency and as you have heard, is recognized as one that is effective in helping design programs to help the poor.

The things that impressed me most about this Center are the objectives that they have developed, which constitute the framework for development and management, and that is as follows:

It is social and physical improvements carried out as a part of a community improvement program are primary contributors to the strengthening of the economic structure as well as being a fundamental purpose of government.

The measure of the country's development is not how well it promotes the well-being of the few, but how well it improves the lives of the many and the lives of the many who are poor.

The governments must be facilitators rather than blunt instruments to restrict initiative. They must be a positive force in encouraging democratic community action, and helping the poor mobilize the energy and skills they possess and help themselves construct and improve their shelter in their communities.

The government's role as an enabler is especially important at the local level and that adequate authority should be delegated to the community so that the interventions essential to provide the poor with access to land, to infrastructure, reasonable building codes and standards and resource mobilization can be achieved.

I see that the red light is on. My statement details some of these other principles, which we believe are enormously important in the way these AID programs are administered and in the importance of having local governments and local groups have something to say about the priorities and the allocations of funds that are being used on their behalf.

[The prepared statement of Mr. Mields follows:]

HABITAT INTERNATIONAL COUNCIL

TESTIMONY OF

HUGH MIELDS, JR.

ON BEHALF OF THE NATIONAL ASSOCIATION OF HOUSING AND REDEVELOPMENT OFFICIALS AND THE HABITAT INTERNATIONAL COUNCIL

Mr. Chairman:

On behalf of the National Association of Housing and Redevelopment Officials and the Habitat International Council I thank you for the opportunity to testify before the Appropriations Subcommittee on Foreign Operations during the course of these hearings.

Our testimony will be directed toward two objectives. First, we want to urge the subcommittee to consider the need to re-examine current AID programs and fund allocations in the light of the accelerating urbanization which has taken place over the last two decades and which continues to characterize population growth and distribution in the developing countries.

Second, we would like to address the need for the U.S. to continue funding the U.N. Center for Human Settlements and to set the amount of the U.S. contribution at $1 million per year for the next two years.

Our perception of the magnitude and importance of problems urban growth and development pose for the developing countries is a product of, among other things, U.S. AID's own experience with its Housing Guaranty Program over the last 25 years. Also, other nations' foreign assistance programs and those of international assistance agencies such as the United Nations Center for Human Settlements (UNCHS) and the World Bank, increasingly seem to be sharing this view of the problems and the opportunities for their solution.

First let me outline some of the basic assumptions underlying the position that aid to developing countries should be increasingly focused on helping communities give the poor improved access to decent shelter, social and health services and job opportunities.* By communities we mean to include not only local governments but also non-governmental organizations, community based organizations and the private sector.

Communities are the physical expression of economic and social activity. No creative act takes place without being influenced by community life. The creation of workable communities is a prerequisite for social and economic development. Places where people can live, learn, and work in conditions of safety, comfort and efficiency are a fundamental and elementary need. Communities are also expressions of a society's ability to satisfy some of the fundamental needs of its members: they can show accomplishments as well expose failures such as destitution, neglect and inequality.

Finally, communities are essential for social and economic development. Social progress for sustainable economic growth is dependent on the relative efficiency of existing community systems and networks.

Increasing investments in community development will not only help provide more adequate housing, infrastructure and social services but should also contribute to the building of an engine of internal economic growth. Community shelter and economic investment can foster overall productivity growth and indirectly promote the production of goods for export and a more resilient economic base.

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*Based, in part, on the Report of the Executive Director, A NEW AGENDA FOR HUMAN SETTLEMENTS, UNITED NATIONS COMMISSION ON HUMAN SETTLEMENTS 16 February 1987. HS/c/10/2

Employment generation is one of the most formidable problems facing the developing countries. The labor force in the developing countries is estimated to increase by some 450 million between 1980 and 2000. Although agriculture is still the largest source of employment in the developing countries, industry and service shares in employment are increasing rapidly, indicating employment potential is probably most promising in the cities. Thus, the creation of job possibilities in the non-agricultural sectors appears to be the most practical course to follow for most developing countries.

Moreover, increasing mechanization in the agricultural sector makes it logical to assume on-farm employment will only be able to absorb decreasing shares of the projected increasing workforce. In the absence of other options, the migration to large urban centers will continue.

The other best option requires the transformation of a traditional subsistence agriculture to a diversified rural sector producing for both national and international markets. Such a transformation will require the development of a system of decentralized urban settlements with emphasis on intermediate and small urban centers to provide services for the rural economy acting as processing and storage places for agricultural products. Such centers are critical to the development of a viable agricultural sector and should play an essential role in providing off-farm employment opportunities.

Assuming current population trends continue unabated, by the year 2000 almost 2 billion people will be living in urban areas in the less-developed regions, an increase of 1.7 billion since 1950. Urbanization rates in the developing countries are three times those of the industrialized world. By the end of this century three out of every five of the world's mega-cities (cities with populations of 10 million or more) are projected to be in developing countries, eight of which are likely to be in Africa.

The developing countries have been unable to cope with urbanization. Today, over 1 billion persons are living as squatters, in shacks, or on the streets without access to potable water, electricity, sewer systems, transportation, health and family planning services, educational opportunities or access to decent jobs.

AID's Office of Housing and Urban Programs has a FY '88 budget of less than $5 million for grants, and $100 million for the Housing Guaranty Program, a market rate loan program. With the possible exception of an occasional ESF grant, no U.S. foreign assistance bilateral program authorizes grants or concessionary loans for shelter programs or for urban intrastructure development to developing countries.

The United Nations reports that for the period 1980-84 just 5 percent of concessional aid and 6.5 percent of non-concessional loans went to projects which sought to improve shelter and the neighborhood environment in the developing countries. Other reports on the history of aid to developing countries suggest that over 90% of all assistance has gone to rural areas notwithstanding the demographic changes that have taken place over the last three decades.

Experienced observers in AID, as well as in most of the other major international donor agencies, generally agree that the seemingly overwhelming problems of shelter and community development in the developing countries can be mitigated. The solution lies in developing maximum reliance on individual families, supportive nongovernmental organizations and the private sector and in the concentration of the government's role to do those things that individuals cannot do for themselves.

Given the increasing seriousness of the developing countries' shelter and settlement problems and the potential that exists for their significant mitigation, AID should be directed to reexamine the nature of the role it can play in the process as a responsible and concerned donor agency. Such analysis should take into account the work of all international donor organizations and the rural and agricultural priorities which control their efforts.

Now, as to our second objective we want to urge the authorization of an annual U.S. contribution of $1 million to the United Nations Center on Human Settlements (UNCHS)

Congress approved a U.S. voluntary contribution of $400,000 in FY'87 and $383,000 for FY'86 for UNCHS to be devoted to the International Year for Shelter (IYSH), designated as 1987. The funds financed initiatives, in conjunction with the private sector, to explore ways to improve shelter, infrastructure and services for the poor and homeless in the cities, towns and villages of the developing world. The recommended $1 million a year contribution would represent an increase from 0.18 to 0.40 percent of the total amount authorized for voluntary contributions to international organizations and programs for FY'86 and FY'87.

UNCHS is a small agency and is recognized as effective in initiating programs designed to help the poor by providing access to training, technical assistance, appropriate building materials and information about how other communities have addressed problems similar to their own. Such assistance is extended either directly to local governments or indirectly through non-governmental or community-based organizations.

The new UNCHS agenda for developing countries is based on the concept of human settlements as a framework for development management and is based, in part, on the following principles:

- that social and physical improvements carried out as part of a community improvement program are primary contributors to the strengthening of the economic structure as well as being a fundamental purpose of government.
- that the measure of a country's development is not how well it promotes the well-being of the few, but how it improves the lives of the many who are poor.
- that governments must be the facilitators of change rather than blunt instruments to restrict initiative; that they must be a

positive force in encouraging democratic community action, in helping the poor mobilize the energy and skills they possess to help themselves construct and improve their shelter and their communities.

- that government's role as an enabler is especially important at the local level and that adequate authority should be delegated to the community so that the interventions essential to provide the poor with access to land, infrastructure, reasonable building codes and standards and resource mobilization can be achieved.
- that effective management skills and administrative capacity are essential at the municipal level along with a willingness to work closely and effectively with grass-roots community-based and other non-governmental organizations.
- that the involvement of community-based organizations and other non-governmental organizations should be facilitated and supported, without in any way compromising their private and independent nature, so that they can act as innovators and voices of change on behalf of the poor and help mobilize the low-income communities to action; help produce shelter options affordable to the poor and acceptable to governments; help reduce the financial and management burdens of government; and help facilitate community participation in the planning and constructing of neighborhood housing and infrastructure.
- that the participation of the private sector is essential, particularly in providing financing resources, access to land and home-ownership and in the mobilization of other non-governmental resources in partnership to be devoted to improved shelter for all.

UNCHS has demonstrated an ability to deliver good values in a range of programs described above and in developing an agenda for future action which the U.S. should support. AID has reported excellent rapport with this UN agency and finds the Center's efforts complimentary with its own in the areas of shelter and community improvement. (See Dept. of State incoming telegram: Subject: Tenth (Commenorative) Session of the Commission on Human Settlements, NAIROBI. April 6-16, 1987, attached.)

The $1 million annual contribution can help UNCHS improve its effectiveness in a number of ways: U.S. support should help attract additional funds from other countries and enhance the collaborative nature of donor efforts to help the developing countries meet pressing problems at the community level. It can help UNCHS improve the effectiveness of the community-based and other non-governmental organizations and strengthen the intermediary roles they can play as advocates for the poor. It can help implement the objectives of the U.S.-sponsored resolution passed unanimously at the Nairobi meeting which endorsed the creation of a National Shelter Coalition for Human Settlements Development "through which governments may help to mobilize all nongovernmental resources in a partnership devoted to the provision, expansion and improvement and shelter for all.

Mr. COLLINS. Mr. Mields, we thank you very much for your testimony. I would only point out to you, while the request you make for the U.N. Center on Human Settlements is indeed modest, the members are faced with a reduction in the overall request for the international organizations and programs accounts, particularly over the period of time from fiscal year 1985 to fiscal year 1988, which is almost equal to the request.

It has gone down from $358 million to a request of $194 million, a reduction of $164. They are going to have a very difficult time allocating resources to all of these desirable programs.

Mr. MIELDS. I understand, Mr. Collins, and I would only hope that looking at the range of U.N. programs and the relative effectiveness of those programs that the subcommittee consider that as one element in terms of the way they determine their allocation process.

We think it is a very credible program and one that will impress the committee.

Mr. COLLINS. Thank you, sir. Your testimony will certainly help.

We will now hear from Mr. Arthur Simon, the Executive Director of Bread for the World.

Mr. Simon, welcome.

BREAD FOR THE WORLD

STATEMENT OF ARTHUR SIMON, EXECUTIVE DIRECTOR, BREAD FOR THE WORLD

ACCOMPANIED BY LANE VANDERSLICE, POLICY ANALYST, AID ISSUES, BREAD FOR THE WORLD

DEVELOPMENT AID ISSUES

Mr. SIMON. I have with me Lane Vanderslice, who is a policy analyst in charge of aid issues of Bread for the World.

Mr. COLLINS. And an old friend of the subcommittee.

Mr. SIMON. And an old friend of the subcommittee, you are right.

I want to start out by saying a word of thanks to the members of the subcommittee for moving positively on several key development aid issues last year, including a worldwide immunization campaign through the child survival account and, more recently, for your response to the crisis in Southern Africa by approving some supplemental assistance.

Let me back up a little bit and say, we start out with two major premises. One, that the United States is a leader in the world and two, that we are working for a just peace. If you accept those two premises, then you have to move on and accept the importance of development assistance.

Yet, what we see, regrettably, is the diminishing commitment to development assistance on the part of the U.S. Congress and this nation.

In the last 8 years, development and food assistance in real terms has declined by 43 percent. While, at the same time, we have seen a lurch in military and security assistance. Somehow that doesn't make much sense, and I think it reflects a narrow and ultimately a very flawed understanding of security and self-interest quite apart from humanitarian concerns.

Let me touch on some of the specifics before the subcommittee. One of our major concerns and that of the subcommittee is Africa. What we face with regard to Africa is not just a continent that has gone through severe famine, but a continent in which a majority of the countries have been experiencing a decline in per capita food production for more than two decades.

Yet, ironically, for SubSaharan Africa, U.S. economic assistance has declined since 1984 by 50 percent. Coming in the aftermath of a famine of the nature that the countries have been through there, that makes absolutely no sense at all.

We urge that the subcommittee provide full authorized level of $450 million for African development assistance. I am happy to say, incidentally, that your House counterpart has voted the $450 million for Africa, but it has not included the report language that is in the authorization bill and I would request that this subcommittee, at least, refer to the report language, which lays some stress on poverty, focus on participation of the poor and women in development. Those are very key elements in our judgment.

I would call your attention, too, to the attached statement of support for high levels of assistance for Africa, signed by a wide variety of organizations and constituencies.

Also, related to Africa is our desire that there be a full level of support appropriated for SADCC, the Southern Africa Development Coordination Conference, and that that support come with no restrictions attached.

Let me move on the AID health account, which by almost all observations has been one of the more effective pieces of our aid effort in terms of direct delivery to poor people. Unfortunately, support for the AID health account has diminished sharply since 1985, from a level of $223 to last year, currently, a level of $166 or $167 million. Again, if we move along with the authorization level, it would go down further.

We urge that the AID health account remain, at least, at current levels, if not be increased. We would much prefer to see that increased. I have elaborated in some detail on various aspects of the work of the AID health account, but I will leave that for the written record.

Now, let me touch on the International Development Association. To the soft loan window of the World Bank, the administration has requested a level of increase of a bit more than $200 million a year for IDA, and I think for very good reasons, which I have elaborated a bit on.

I would like to say, we support, we prefer the House authorization language on the IDA bill, rather than the Senate version. Both House and Senate versions have policy language directing the United States to work for policy reforms that would benefit poor people. We like that, but the reforms in the House version are more comprehensive, more particular.

The House reforms cover five major areas. Evaluation and improvement of benefits to poor people in lending programs, aid to poor women, collaboration with third world grassroots organizations, credit for microenterprises, and protection of poor people in structural adjustment lending programs. All very important pieces.

The Senate bill, unfortunately, covers only the last of these, so we would like the Senate subcommittee to look at and by its language support those policy aspects that are written out in the House authorization bill.

I touched on microenterprise in reference to the International Development Association. I want to apply it as well to the funding level for AID. Fortunately, the Senate has a bill sponsored by Senator DeConcini and six others, called S. 998, called the Microenterprise Loans for the Poor Act, to date, with 39 sponsors, the purpose of the bill is to directly aim assistance in the form of very, very small-scale loans to some of the poorest people in the third world.

If you read this morning's New York Times, you may have noticed an editorial called Foreign Aid from the Bottom Up, which gave very strong support, for very good reasons, to the microenterprise bill before Congress.

Your House counterpart, again, the House Foreign Operations Subcommittee has included $50 million for microenterprise loans, but, unfortunately, the House report language was omitted and that could work some mischief by allowing some slippage of intent there.

So, I would request the Senate subcommittee, at least, to refer to the report language in its markup.

The International Fund for Agricultural Development deserves, at least, the level of support that it is getting currently. Again, the Times editorial that I refered to endorses this for all the right reasons. The House Appropriations Subcommittee, unfortunately, has cut last year's level by $6.5 million. I would urge the committee to restore those cuts.

There are other things in my testimony. We are concerned about military aid increases relative to development assistance, quite obviously.

We urge that this subcommittee help to restore the balance, move us in the direction of truly effective aid for some of the poorest of the poor.

[The prepared statement of Mr. Simon follows:]

STATEMENT OF ARTHUR SIMON
EXECUTIVE DIRECTOR, BREAD FOR THE WORLD

Mr. Chairman and members of the Subcommittee, I am Arthur Simon, Executive Director of Bread for the World. I appreciate this opportunity to appear today before the Subcommittee as it continues hearings on fiscal year 1988 appropriations, to discuss those items we believe are essential parts of our nation's foreign aid program.

You and the members of your Subcommittee, Mr. Chairman, deserve thanks for your support last year of the worldwide immunization campaign through increases for the Child Survival Fund, and for your recent response to the crisis in Southern Africa by approving supplemental assistance for that region, to name just two important examples.

While we thank you for your efforts, as we look at foreign policy, and development assistance, I believe that our basic note must be one of concern. We begin from the premises that the United States is a leader in the world, and that we, as a nation, must work toward social justice and peace in the world. If we accept these two premises then we must accept the importance of development assistance. In order to work for peace, we must understand and try to help solve the major problems of others in the world. One of those is poverty. U.S. development assistance is the basic way we work to solve the question of world poverty. Yet we see a diminishing commitment to development assistance on the part of the United States. In the last eight years, in real terms, development and food assistance has declined by 43 percent in real terms, according to a study done by the Library of Congress for the Select Committee on Hunger. By contrast, military and security assistance has increased by 14 percent, and military expenditure has increased by 57 percent between 1979 and 1986.

We often hear the idea that we must "take care of our own" first. In comparison with development assistance, this is being done. Social security expenditures have increased 30 percent in real terms, for example, while Medicare expenditures have gone up much more. The budget allocations for this year continue these trends, as you are more aware than I. We believe that there are worthwhile programs to assist third world poor people.

Africa

In 1985, this Subcommittee generously provided $135 million in additional emergency assistance for an African people threatened with starvation and epidemics of cholera and other deadly diseases. The famine, however, was not simply an act of nature; it also reflected a 20 year decline in per capita food production. Africa is the poorest continent with the world's highest infant mortality rates, the lowest life expectancy rates, and the lowest quality of life indices. Low income Africa is poorer today than it was in 1960.

The African famine and the U.S. response were expensive not only in lives but also in dollars. We cannot afford to let it happen again. Viewing that response as an investment, we now have the opportunity to prevent such a famine from occurring again, by providing sufficient funding for Africa within one of the most cost efficient and effective approaches to development to date. The Senate and House authorizing committees have outlined an intensive development program for Africa, which is a targeted response to Africa's current development problems. The program reflects an international commitment to support African nations' efforts to redirect their development agendas; and, to the degree that the Senate bill reflects HR 1199, is based in part on two years of research, discussion, workshops, hearings and expert testimony from Africans, development experts and private agencies working in the field. The participatory thrust of the legislation reflects lessons learned in numerous evaluations of A.I.D. work. Although Bread for the World prefers the House version, which includes stronger language on women in development and a debt relief component, we commend the Senate version of this African development program.

We urge that the subcommittee provide the full authorized level of $450 million for African development assistance. Despite the tremendous economic decline and human suffering afflicting Africa, sub-Saharan Africa's portion of worldwide U.S. economic assistance has been cut by 50 percent since 1984 at the same time that all other regions of the world have experienced increases. The U.S. Africa program is one of the most development-oriented of our regional programs. The international community, including the United States, pledged itself to address the problems of Africa at the U.N. Special Session on Africa in May of 1986, including increased levels of development resources for the continent. This appropriation is an important test of that commitment.

The Reagan Administration is also very concerned that current budget pressures not prevent this critical response at this "moment in history" when African nations have committed themselves to critical, costly and risky economic reforms. We bring to your attention a recent statement, a copy of which is attached, urging higher levels of assistance for Africa signed by a wide variety of constituencies. Africa is not simply a "special interest" issue.

We also urge the Subcommittee to sustain the authorizing committee's policy recommendations on participatory, sustainable development for Africa and oppose any further effort to restrict the funds. We urge support for the authorizing committee's $60 million level for SADCC, the Southern African Development Coordination Conference. Again, we urge that no restrictions be placed on this funding which is critical to the southern African region's efforts to develop and recover from the economic and military destablization of South Africa and its military forces and proxies.

Micro-enterprise Credit

Just as we believe the World Bank, and the other multilateral development banks, could improve their efforts for poor people by focusing more of their resources on providing credit to "micro-enterprises," we believe that the Agency for International Development (A.I.D.), as well, should take decisive steps to increase its work with micro-enterprises. Well-structured programs to assist these very small businesses have resulted in impressive gains in jobs and income for the poorest people in Third World countries. But much more remains to be done, and A.I.D. should now draw on its experience over the last decade with various pilot projects to develop an expanded program for assisting micro-enterprises.

Bread for the World worked with the authorizing committees to include provisions targeting existing local currency and dollar accounts for micro-enterprise activities by A.I.D.. The House foreign aid authorization bill contains a micro-enterprise provision, while the Senate bill does not. We are particularly pleased, therefore, that Sen. DeConcini and 6 other cosponsors introduced S.998, the Micro-Enterprise Loans for the Poor Act, as a Senate vehicle for assistance to micro-enterprises. To date there are 39 cosponsors of this bill, reflecting broad bipartisan support for this revolutionary new concept in foreign aid. Bread for the World strongly supports a micro-enterprise approach such as that in the DeConcini bill, directly aimed at the smallest enterprises made up of the poorest people in the third world. We urge that the Appropriations Committee support this effort throughout the appropriations process, by including provisions that will establish a strong and workable micro-enterprise program targeted to the poorest people.

The International Development Association

The Administration has requested a level of funding for the International Development Association (IDA) over the next three years which represents an increase of $204 million per year. There are many reasons to support an increase in foreign assistance to poor nations and poor people. The last six years have been a terrible time for almost all Third World countries, with considerable harm to poor people. The world recession, the African drought, the severe drop in prices for Third World exports, the enormous debt burden of Third World countries--all this has meant a decline of 15 percent and even more in national production and the average person's income in Third World countries. This severe economic crisis also has harmed the United States. For example, U.S. exports to

Latin American countries have fallen from $41 billion in 1980 to $21 billion in 1985 due to the economic crisis.

We support provisions in HR 2304, the House authorization bill for IDA, that, if implemented, would improve and increase assistance to poor people given through the World Bank, as well as other development banks. While both S.1274, the foreign aid authorization bill which includes authorization for IDA and for other development banks, and HR 2304 have included policy language that would direct the U.S. to work for policy reforms that would benefit poor people, the reforms in HR 2304 are more omprehensive. The House reforms cover five major areas: evaluation and provement of benefits to poor people in lending programs, aid to poor women, collaboration with third world grassroots organizations, credit for micro-enterprises, and protection of poor people in structural adjustment lending programs. The Senate bill covers only the last of these. We urge this subcommittee's support for all these policy provisions.

Improvement of Benefits to Poor People: In 1986, only 29 percent of WB/IDA loans were classified by the World Bank as directly poverty-oriented. The remainder were loans that were intended to benefit the economy as a whole, with no special benefits to poor people. The percentage of directly poverty oriented loans seems very low. Secondly, a persistant criticism is that Bank projects have tended to lose touch with the needs and knowledge of poor people. (See Grassroots Organizations ction below). Thirdly, Bank studies suggest that Bank projects are not aching the very poorest people and that ways do exist to reach them. (See e.g. Michael Lipton, "The Poor and the Poorest: Some Interim Findings," Country Policy Department, March 1985).

H.R. 2304 directs the U.S. to work for an evaluation program to assess "the extent to which bank lending benefits the least advantaged members of society. . .and to increase the extent to which such members benefit from future bank lending." Also, the impact of nonproject and project lending on local populations must be monitored. Other than language refering to structural adjustment (see below) and some points in environmental language, S.1274 does not include anything that would increase the poverty focus.

Role of Women in Development: Too often, the significant, sometimes dominant role of women is not recognized in designing development projects. In a late 1986 release the World Bank described its "women in development" efforts: "The time has come to make World Bank 'women in development' efforts more operational. We want to get beyond studies and training." Currently, there is only one "women in development" staff officer out of 3,800 professional staff members in the bank, although this number will increase, and no more than 10 projects that specifically incorporate WID concerns.

H.R.2304 establishes an explicit U.S. policy for multilateral banks th respect to women. It requires the Executive Director of the World Bank to support efforts to increase the role of the Bank's women in development office. S.1274 makes no reference to women in development.

Micro-enterprise credit: Micro-enterprise credit involves lending small amounts of capital to poor third world people for productive activities carried out through the smallest-scale enterprises. IDA has not emphasized and encouraged micro-enterprise credit in its lending thus far. However, micro-enterprise credit has been successfully carried out by other organizations, combining income and employemnt gains with high repayment rates.

In H.R.2304, the U.S. Executive Director of the World Bank is required to work to increase poor people's access to credit in two ways: through the Grassroots Collaboration Program (see below) and by the Bank's proposing in appropriate loan agreements that legal barriers to the provision of credit to small scale enterprise be removed. S.1274 makes no reference to microenterprise credit.

Grassroots Organizations: There is some recognition of the importance of third world grassroots organizations by the World Bank. For example, $21 million of a $92 million Brazilian rural development loan is targeted for farmers' groups, cooperatives and other grassroots organizations. The nk's involvement with NGOs and grassroots oganizations could be much ronger than it is. Only about 100 of the approximately 2000 current Bank projects involve non-governmental organizations in any form. In the words of one observer, "many of its rural development projects limp along weakly, or disappear when external subsidies end because the projects are unable to mesh with complementary grassroots organizations" (S. Annis, "The Shifting Grounds of Poverty Lending at the World Bank," in R. Feinberg, ed. Between Two Worlds: The World Bank's Next Decade, New

Brunswick: Transaction, 1986)

In H.R.2304, the U.S. Executive Director is instructed to work for the establishment of a Grassroots Collaboration Program to improve collaboration with third world NGO's in the design, implementation, and monitoring of development projects. The legislation suggests that an itial grant of $50 million should be allocated to this program, with urther annual allocations. S.1274 makes reference to nongovernmental organizations only in the context of environmental concerns.

Structural Adjustment Loans: An increasing amount of Bank lending is through loans known as structural adjustment loans. These loans are not for specific projects, but are designed to assist governments in carrying out policy reforms such as the reduction of government expenditures. In the past, adjustment programs have been carried out without any particular concern for poor people.

Language in both bills is similar, requiring a report on structural adjustment loans and their negative and positive effects on poor people. The main difference is that House language is more specific (e.g. effects on nutrition levels, living standards, and poor peoples' participation must be examined), and therefore is preferable.

International Fund for Agricultural Development (IFAD)

As Bread for the World has testified previously before this ubcommittee, we believe that the International Fund for Agricultural velopment (IFAD) is one of the most successful aid agencies in reaching mall farmers and landless people who hold the key to agricultural production in much of the Third World. As Africa looks to the future after the devastation of its recent famine, IFAD, and its Special Africa Program, can play a vital role in promoting effective, grassroots-oriented agricultural development on that continent.

We are concerned that the authorization committees this year have cut IFAD funding, as IFAD approaches negotiations for its third replenishment. We urge the Subcommittee to provide the same funding for IFAD for FY 1988, as provided this year. Bread for the World believes that funding for IFAD's Special Program for sub-Saharan Africa should not be neglected, and we would welcome any funds which might be available for it.

Child Survival

The international campaign to save children's lives seems to be progressing well. Everywhere we look in the world, we see evidence of substantial efforts being made to improve children's health. On October 25, 1985, as the United Nations entered its fifth decade, heads of state nd senior officials of 21 governments signed a declaration of their mmitment to immunizing all the world's children by the year 1990. Less han a year later, the number of signatories had risen to 74 governments. Worldwide, oral rehydration therapy (ORT) to combat dehydration is now being used by an estimated 12 percent of the world's parents.

A second bright spot is the present commitment of the U.S. Agency for International Development to the worldwide child survival campaign. We have examined A.I.D.'s Congressional Presentation for 1988 and other documents and discussed various issues with A.I.D. staff and believe that A.I.D. has a strong Child Survival assistance program. A.I.D., for example, is assisting India in its campaign to improve its children's health with a five year, $65 million assistance program at both the ational level and in four states. We urge the provision of at least $75 llion for the Child Survival Fund.

A.I.D. Health

While the 1985 appropriation for A.I.D. Health was an historical high, the trend since then has been strongly downward. (All figures $ millions).

	1985	1986	1987	1988(Admin. request level)
Health Acct.	223.1	192.2	166.7	147.4 (includes 27.1 for Africa)

Bread for the World urges funding for the A.I.D. Health Account at at least the 1987 levels. Major health problems exist in third world countries as do opportunities to alleviate these problems.

Child Survival: A large portion of the important U.S. contribution to this effort is funded through the A.I.D. Health account. Cuts in the Health acccount will reduce the U.S. contribution to this effort.

AIDS: Although the extent of the AIDS epidemic is not completely known, there is widespread agreement that AIDS is an enormously serious health crisis in Africa. The World Health Organization estimates that one to two million people may be infected with the Human Immunodeficiency Virus (HIV) in Africa: If one million people are infected, the most nservative rate of annual progression to clinical AIDS would indicate a minimum of 10,000 AIDS cases annually. In large Central African countries, up to 14 percent of adults have been infected with HIV, and are at high risk of developing AIDS and infecting others. The primary means of transmission is heterosexual contact. A second major issue is transmission of the disease from a pregnant mother to the fetus before birth. For example, in Zambia alone, there will be an estimated 6,000 cases of AIDS in infants by the end of 1987, compared to 400 case of AIDS in infants in the U.S. to date.

The WHO has also indicated that: "The alternative to concerted public health action to control AIDS is the unchecked progression of (HIV) infections throughout the world, ultimately reaching all segments of the populations." U.S. foreign assistance for assisting AIDS victims and preventing further spread of the disease is low. A recent National Academy of Sciences report urges that in addition to WHO efforts, the U.S. get involved in bilateral and multilateral efforts in addition to any support for the WHO, to begin to address the disease.

The Health Situation in Africa: Funding for health programs in Africa is reduced from $32.8 million in FY1986 to $27.3 million in FY1987. U.S. ealth assistance to Africa does not reflect the magnitude of Africa's alth problems. For example, health funding in Latin America is approximately ten times higher on a per capita basis than Africa's. The case for maintaining or increasing health funding for Africa is the following:

Child mortality: 23 of the 32 countries with "very high" mortality for children under age 5 are in Africa. UNICEF defines "very high" child mortality to be 178-329 deaths per 1000 live births (U.S. rate is 13/1000). African health programs heavily emphasize child survival, but it appears that 1987 A.I.D. funding for child survival will not reflect the disproportionately high needs.

Malaria: Experts report that the malaria situation in Africa is worse than it was 30 years ago. With over 100 million cases per year, and at least 1 million deaths in children under age 5, malaria remains an nchecked cause of suffering and death. It is also one of the major deterrents to economic growth, adding at least 10% to the costs of production due to worker sickness and reduced productivity. U.S. foreign aid for malaria programs continues to be reduced at a time when both programs and research need increased funding.

A.I.D.'s health program in Africa has been, and continues to be, inadequate. Its Africa Bureau has not wanted an increase in health funding. A.I.D. has persistently reduced health assistance to Africa. A.I.D. has a bilateral health program with only 10 of the 40 African nations with which A.I.D. maintains a bilateral assistance program. The Bureau has neither the health staff nor the inclination to maintain modest bilateral programs ($1-2 million) with African nations, which could play a very important role in advancing needed health care.

Water and sanitation: A.I.D.'s funding for water and sanitation, never very high, has declined substantially. In FY 1985, funding for water and sanitation programs was $24.8 million. In FY 1988, what is proposed is $4.8 million. While this statistic does not tell the complete story--there are other avenues such as the World Bank in which the United States makes a contribution to solving the water and sanitation needs of people in the third world--what it does have to say is pathetic enough. he United States proposes to spend a mere $5 million in its bilateral development program, one third of one percent of the program, to assist in satisfying such crucial human needs as water and sanitation.

A.I.D. Health Personnel: There are not a sufficient number of health professionals to carry out an adequate A.I.D. health program, especially in Africa. BFW strongly supports Congressional initiatives to correct this situation.

UNICEF

We support funding for UNICEF at least at the 1987 level of $51.08 million. UNICEF has assumed major responsiblities in the Child Survival campaign, and we strongly believe that an increase over this level would be desirable.

Military Aid and Security Assistance

Bread for the World continues to be concerned about proposals to increase military aid accounts, particularly those that are targeted to the poorest countries. The Administration's 1988 request asks for a nearly 50% increase in Military Assistance Program (MAP) funding, including a doubling of such aid to Africa. We continue to believe that military aid increases, especially those under the rapidly expanding MAP program, hurt the world's poorest people by consuming an increasing proportion of the total foreign aid funds, and by encouraging governments to maintain larger military establishments than their economies can support, creating a perpetual burden on their budgets. We hope that the Subcommittee will continue efforts that were begun two years ago in the House to bring overall military assistance under firmer control, and to reduce security related aid generally. This would allow more careful targeting of additional aid to the most effective development aid programs that promote self-sufficiency for people in developing countries.

In addition, we are concerned with two specific issues:

-- There is an effort in the Senate to phase the loan portion of the Foreign Military Sales program into a purely grant program. Advocates of the plan claim that the debt burden of some of the poorer recipient countries would be eased by such an arrangement. BFW believes that this would simply make it easier for more military aid to be provided to these countries, and these efforts should be opposed.

-- The Guaranteed Reserve Fund of the Foreign Military Sales program is scheduled for a $532 million replenishment. The Fund was created in 1980 to guarantee loans for the purchase of military hardware. It has become especially important now that 27 out of 38 countries involved in the FMS program are rescheduling or are in arrears, including $.5 billion by Egypt alone. BFW asks that, if the Subcommittee decides to replenish the fund, the $532 million GRF replenishment come out of the military assistance portion of the budget, not out of the entire foreign aid bill.

We appreciate the chance to provide these views to the Subcommittee, and I will be glad to answer questions that you may have.

Mr. COLLINS. Thank you very much for a very comprehensive statement, Mr. Simon. The members will benefit from it. Thank you.

We will next hear from Retired Major General Elmer Pendleton.

U.S. SECURITY ASSISTANCE PROGRAM FOR TURKEY

STATEMENT OF MAJOR GENERAL ELMER PENDLETON, USA RETIRED

General PENDLETON. Thank you very much, Mr. Collins.

I have tried to paraphrase my statement considerably. Thank you very much for allowing me to testify on behalf of the U.S. Security Assistance program for Turkey. I retired from the U.S. Army last August after serving over 35 years as an officer.

I basically was an infantry officer with the majority of my time spent with troops, operations and with logistics. I served 4½ years in combat in both the Korean and the Vietnamese Wars, and a total of 13 years overseas, primarily in developing countries.

My last 4 years were spent in Turkey, where I served as the Chief of the Joint U.S. Military Mission for Aid to Turkey, and as the Senior U.S. Defense Representative in Turkey.

Although I had served in Iran and visited briefly in Turkey, I had no personal experience in working with the Turks or first hand knowledge of the country prior to my actual arrival. I soon learned that very few other Americans know Turkey or the Turks very well either. Many of our otherwise well-informed people, when thinking of Turkey, think of a hot climate, desert, terrorism, strict Moslem rules, problems with Greece, et cetera.

In short, they do not know much about the Turks. Many people, unfortunately, do not even know that Turkey is a member of NATO and that they have the second largest army in NATO, only our army is larger. And, that by the end of the next decade, Turkey may be the largest country in terms of population in Europe.

Many Americans also think of Turkey primarily in terms of Greece, the Aegean-Armenian problems or Cyprus. As important as these issues are, they are only one part of the external problems that face Turkey.

Other neighbors, such as the Soviet Union, Bulgaria, Iran, Iraq, and Syria, all present far more unique and troublesome issues for the Turks. Since I have returned and have made quite a few speeches, I have found that in the main, most Americans have a difficult time knowing what other countries are actually surrounding Turkey.

This problem of having tough neighbors is hard for Americans to understand, since, of course, we are blessed with having Canada and Mexico as neighbors.

ASSISTANCE TO TURKEY

I am going to make just a few other comments, but I want to make the main thrust of my statement as such that there are really two problems in providing assistance to Turkey as I see it.

One, is the amount of the aid. As I have outlined in my statement and as I am sure you and other members of the committee know, is that Turkey does require a substantial amount of aid, going back to the early period when it started after World War II were why we provided substantial amounts of aid out of our surplus stocks from World War II and from the Korean War and that is what helped us start the modernization effort in Turkey.

In the mid to late 1950's, when the Soviets went into Syria and started advising and providing equipment there, and then after the coup in Iraq in 1958, since that time, Turkey has had to be concerned about its neighbors on those flanks that they had not been before. Of course, the situation in Iran you are well aware of.

Those situations are all in addition to meeting their NATO requirements of guarding the Straits, the entrance between the Black Sea and the Mediterranean Sea, as well as Eastern Turkey, where the Soviets can come down next to Iran and down, of course, into the Persian Gulf.

So the amount of security assistance, I think, most people will understand whether they agree with the specific amount or not.

The other point I would like to make today is the other items that somehow get into the bills and cause a tremendous amount of harm in our relationship with the Turks, and those items have to do with restrictions pertaining to Cyprus, have to do with items such as the Armenian resolution and have to do with such things as the seven ten ratio with Greece.

The Turkish people themselves have their own beliefs, and they have a right and left and a center, just as we do, but I think on issues such as Cyprus or the Armenian Resolution or the seven ten ratio, I found the Turks to really speak with one voice. So that regardless of the level of aid, and I am asking today in my statement to recommend heartily for the administration proposal, but, of course, I realize the constraints on that.

What I am also asking is a review by the members of Congress to try to eliminate the wording in the legislation that puts these restrictions about Cyprus and the Armenian Resolution and the seven ten ratio that come up year after year and cause nothing but very hard feelings between our two countries and I see that increasing each year as that comes up.

Again, I would make both of those points. One is the level of aid, and two is the restrictive legislation that comes up because of it.

If I may, I would just like to make a few other items to paraphrase from here.

One is that the Turks are doing a lot for themselves, for a country that has a thousand dollar per capita income. One of the ways they are able to get by on their own budget of $2 billion a year, roughly, for their own military, is the very low salaries they provide to their own military.

For example, a Private in their armed forces makes less than a quarter a month. He, of course, gets food, his housing, and things such as that, but that is his salary. A contemporary of mine, a Major General, in their armed forces will get less than $400 a month. He will live in a house with a combined dining and living room, perhaps, three bedrooms, and one bath.

So, the picture I am presenting to you is there is not any great degree of excess as occasionally people think of in the Security Assistance program.

The Turks, themselves, in going back to the Korean War, which is one of the places where Americans think of the Turks and the valor with which they fought, the Turks did fight with great valor in that war on the side of the United Nations, and are remembered by many Americans.

I think the Turks today will fight without any question to that same degree of skill, toughness, and so on. But, in this day and age on the battlefield, occasionally, I hear remarks that we know that the Turks will fight to the last man, and so on, of course, they will, but it is not right, or not fair to expect individuals today to fight on the battlefield without modern weapons.

So, in summary, I appreciate the opportunity of presenting my views and leaving my statement, which goes into more detail as to why the Turks need the assistance, but again, I would ask in closing that since Turkey occupies such a key part of the world, since they are going to be key in the years ahead, much keyer than they have been in the past, to give special consideration to meeting the administration's request for the aid, and again, secondly, to try to eliminate the political restrictions that are a real irritant to our friendship with a key ally and stick primarily to the facts of the Security Assistance program.

Thank you very much.

[The prepared statement of General Pendleton follows:]

PREPARED STATEMENT OF MAJ. GEN. ELMER PENDLETON, USA, RET.

Thank you for allowing me to testify on behalf of the United States Security Assistance Program for Turkey. I retired from the United States Army last August after serving over 35 years as a commissioned officer. I basically was an infantry officer with a majority of my time spent with troops, operations and logistics. I served four and a half years in combat in the Korean and Vietnamese Wars and a total of thirteen years overseas, primarily in developing countries.

My last four years were spent in Turkey where I served as Chief of the Joint United States Military Mission for Aid to Turkey and as the senior United States Defense Representative in Turkey. Although I had served in Iran and visited briefly in Turkey, I had no personal experience in working with the Turks or first hand knowledge of the country prior to my arrival.

I soon learned that very few other Americans know the country or the people very well either. Many of our otherwise well informed people when thinking of Turkey, think of a hot climate, desert, terrorism, strict Moslem rules, problems with Greece, etc. In short, they do not know much about the Turks. Many do not know that Turkey is a member of NATO, has the second largest Army in NATO (only the United States is larger) and that by the end of the next decade may be the largest country in terms of population in Europe.

Many Americans think of Turkey primarily in terms of Greece, the Aegean, Armenians and Cyprus. As important as these issues are, they are only one part of the external problems facing Turkey. Other neighbors such as the Soviet Union, Bulgaria, Iran, Iraq and Syria all present far more unique and troublesome issues for the Turks.

It is difficult for Americans, with Canada and Mexico for good neighbors, to realize what real problems tough neighbors can cause. In addition, it is difficult to visualize how large Turkey really is. Over a thousand miles from west to east and over four hundred miles from north to south. Lots of rugged terrain with only a developing infrastructure of truly modern roads and communications throughout much of the country.

As one of two NATO countries bordering on the Soviet Union, the Turks can feel a subtle pressure that other countries further to the rear cannot. Many Congressmen and members of their staffs have visited both Istanbul where the critical straits that control the passage between the Black Sea and the Mediterranean Sea are located and eastern Turkey along the Soviet Border where soldiers stand guard 24 hours a day. These experiences are like visiting Berlin or the demilitarized zone in Korea where you can sense you are someplace special. Turkey is the front line - they have no buffer countries.

Some of the other real problems facing the Turks are the economy (per capital income is about $1,000 per year), the Iran-Iraq War on its borders, the general unrest in the middle east and the potential for renewed internal terrorism. The Turks as you may recall were losing 30-40 people per day to terrorists in the late 70's. Unfortunately, it is to the benefit of many neighbors to see a destabilized Turkey. The country is working very hard to reduce external subversion, improve their economy, create jobs, modernize their country and meet reasonable demands of their people, all in a democratic environment as well as trying to modernize their military establishment.

The Turkish military receives over 20% of the national budget and over 5% of their GNP. This two billion dollars plus supports an Army of over 500,000, an Air Force of 60,000 and a Navy of 50,000. This modest amount of money by our standards is used to operate their Armed Forces. There is very little in their budget for modernization (or capital improvement) and almost nothing for salaries. A Private makes less than $0.25 per month and a General makes less than $400 per month. There are no huge mansions and there are no high life styles. For example, a Major General in Ankara generally lives in a very modest apartment by our standards with three very small bedrooms, one bath and a combined living/dining area.

United States assistance is desperately needed to help modernize their armed forces and modernize them now. They have the manpower and they have the will and determination and guts to be the best fighters in NATO but it takes more than that on the modern battlefield.

If Americans have one positive feeling towards Turkey, it is their performance on the battlefield in the Korean War. They organized a volunteer Brigade on 1 August 1950, equipped and deployed it to Korea less than 60 days later. It arrived the end of October 1950 and a few days later was fighting. In January of 1951, the Brigade received the first of its two Distinguished Presidential Unit Citations for valor. The Turks were tough, well disciplined and highly respected by friend and foe alike. They are still tough, well disciplined and highly respected by friend and foe alike.

If I may give a short wrap up on why they need modernization now. After the Truman Doctrine was initiated in 1947, we modernized all of their armed forces with surplus World War II and eventually Korean War equipment. We trained thousands of their leaders and technicians in the United States and we had advisors throughout Turkey down to the Regimental and Air Base level.

Much of their equipment, in 1947, was circa World War I vintage and was a conglomeration of equipment from many countries from the 1920's and 1930's. Modernization was a huge undertaking but time was on our side. Turkey joined NATO in 1952 and organized a modern day professional force during the 1950's.

In the mid to late 50's things started to change. First, the Soviets started to support the Syrians and later the Iraqi Armed Forces. U.S. involvement in Lebanon first occurred in 1958. Stability in the Middle East has continued to deteriorate. Turkey is one of the very few pillars of stability in the area. I would hate to imagine the area without a free and stable Turkey.

During the 60's the neighbors' equipment increasingly became more modern than the Turks'. The Turks made plans to modernize - but we essentially had no surplus equipment in the 1960's and with the cost of the Vietnam War, we gave little assistance to allied modernization.

At the end of the Vietnam War, but before any meaningful programs could be initiated, we entered the era of the embargo. This was followed by the change in the Iranian government and the great outbreak of internal terrorism in Turkey. It wasn't until the change of the Turkish government in September 1980 and the signing of the DECA

(Defense and Economic Cooperation Agreement) in December 1980 that things started to improve.

Since December 1980 our level of security assistance has increased, up to a high point of seven hundred and fifteen million dollars. The Turks have tried hard to maximize these funds as well as to utilize their own to the fullest and other allies such as Germany wherever possible. They are producing their own rifles, machine guns, mortars, ammunition, and small communications equipment. With our help they are modernizing over 2,000 older M48 tanks to make them a good interim solution for the next several years. They are producing their own tank ammunition. They are co-producing, with our help, a modest amount of UH-1 helicopters to replace their aging helicopter fleet. They are co-producing, with German, Dutch and American assistance, a new and modern frigate and in their premier program they are co-producing the F16 fighter with General Dynamics, General Electric and others. These are all positive steps and we can take pride and satisfaction from our efforts to help the Turks.

But the job is big. I believe they need over one billion dollars per year to modernize in a reasonably timely manner. Certainly the administration request for over 900 million dollars in assistance can be justified for a neighbor and front-line ally such as Turkey.

For example, they have well over 2,000 artillery pieces; however, they are outgunned (outranged) by their potential adversaries. They also lack mobility and they lack modern ammunition. They need new or modernized armored personnel carriers (or infantry fighting vehicles). They need vastly improved communication, radar and other command and control equipment. They need modern air defense to protect their field organizations as well as command and control facilities and they need to upgrade current ships, aircraft and other major equipment until they can be replaced.

Unless Turkey receives some amount of money close to what the administration has asked it will be impossible to start any of the critical new programs mentioned above. The Turks are trying desperately to be more independent and self sufficient. For example, they have started a Defense Fund outside of the budget that they hope will raise a few hundred million dollars a year thru special taxes to help do more themselves. But, as important as these funds are they are not a substitute for our security assistance and our American equipment, know how and standardization. The Turks will do more with their resources in low tech areas, but they need our help where technology is critical.

The Turks have viewed us as very close friends since the late 40's. They like Americans and even though they have strong feelings of national pride and have received much pressure from their neighbors, have allowed us to maintain a substantial presence in Turkey to benefit both themselves and us. Americans have intelligence, communications and support activities in Turkey that can not be replaced. Our presence is of mutual benefit. When in Turkey, we are on the front lines. As you know some of our other allies are being very difficult over issues such as base rights. To me, it is clearly in our best interests to support the Turks, who are not asking us to defend them but rather to help provide the type of modern equipment that they need to defend both their country and the free world's interest.

Finally, I would like to make a few personal remarks about serving in Turkey. It was not always easy but it was great and my family and I were proud to have been there. The Turks may be poor but they are proud. (Soldiers, for example, always look you right in the eye.) Each year, however, in addition to security assistance levels we seem to drag out issues that do little in Turkey except to sadden our friends and to make more enemies from our doubters. Issues such as the 7:10 ratio, the Armenian issue and restrictive Cyprus clauses seem totally unfair to the Turks and each year they cause much public debate. In the United States, most Americans do not know the background or the issues but you can be sure that each issue causes much agony among the Turks. There are political differences in Turkey, but when it comes to 7:10, Cyprus or Armenian issues they are totally united and they speak with one voice. We used to dread not only the budget battle in Congress but also the agony over each one of these political issues that cause continual strain on our alliance.

I recognize the serious budget problems faced by the Congress and the tremendous problems that you face; however, I do heartily recommend that you support the funding levels of the assistance program to Turkey as proposed by the administration. I also recommend that you reject unnecessary restrictive legislation that further ties the hands of the Turks and arouses a bitterness in practically all Turks that is difficult to portray adequately.

Turkey occupies a key area of the world. Most Turks are and want to be our friends. But we must understand it is a two-way street. They need our assistance but they don't need our abuse. The ironic point is that most every American who takes the time to visit Turkey firsthand comes back with a much different perspective than they started with. Unfortunately, few Americans have the time or resources to make the visit, hence we continue with misunderstanding. Time is running out for us though in that part of the world. The steps that we take now will have a critical influence into the next century. I hope you will take my recommendations seriously.

Mr. COLLINS. Thank you very much, gentlemen.

We will now hear from Orhan H. Suleiman, representing the Maryland American Turkish Association.

It is a pleasure to see you again, sir.

MARYLAND AMERICAN TURKISH ASSOCIATION

STATEMENT OF ORHAN H. SULEIMAN, MARYLAND AMERICAN TURKISH ASSOCIATION

Mr. SULEIMAN. Thank you, Mr. Collins.

I present my prepared text for submission to the record, and I would just like to highlight some of the points in there, and bring you up to date on some other things of more recent concern.

I feel that the Republic of Turkey and the Turkish Republic of Northern Cyprus continue to be primarily victims of a well coordinated campaign on behalf of the Greek-American community, basically we are talking about a 4,250,000 advantage and I will press that point further on.

I also feel that most of the present day friction, if you can say that, between the United States and Turkey is directly related to the 1974 Turkish intervention in Cyprus.

Let me briefly review some of the historical events that are mandatory to understanding this complex and tragic subject. After Cyprus was granted its independence since 1960 with the President always

Greek and the Vice President always Turkish. The immediate objective of the Greek community had been obtained, the removal of the British.

ENOSIS

The Greek Cypriots then devoted their efforts to the real objective, the union of Cyprus with Greece, commonly referred to as ENOSIS. Since ENOSIS was specifically prohibited under the Constitution, it was circumvented in 1963, when President Makarios declared critical parts of the Constitution unconstitutional.

This and other actions, including premeditated attacks upon the Turkish community led to a decade of oppression and terror for the Turkish community of Cyprus, and Turks still do not forget that period of time.

For an excellent review of this subject, I would refer you to a very recently published text by Reddaway, "Burdened with Cyprus: The British Connection." It is published in London.

What ensued was that the Greeks first brutally attacked and killed Turks throughout the island in December of 1963, chased the Turks into protective refugee villages and enclaves, and treated the Turks as nonexistent members of the community.

I always find it interesting and irritating that Greeks portray this series of one-sided genocidal attacks as "intercommunal," when, in fact, they weren't, a classic example of doublespeak.

I speak personally, because my aunts and uncles fled the village of Pano Lefkara in 1963, my grandmother was killed in an attack on the village of Gecitkale in 1967, and all of my relatives eventually relocated under the protection of the Turkish Armed Forces in the now Turkish Republic of Northern Cyprus.

I, again, refer you to another text which recounts this very factually and accurately, Pierre Oberling's "The Road to Bellapais: The Turkish Cypriots Exodus to Northern Cyprus."

We have members of our organization, the Maryland American Turkish Association, who were not allowed, during this period of time, to return to Cyprus after completing studies abroad, individuals who immigrated to the United States because of the Greek Cypriots continuous harrassment. We have individuals from Larnaca, Limassol, and many other places, who can recount personal experiences during this time.

Turkey intervened in 1974 to protect the Turkish population under specific provisions of the Constitution. Turkey intervened only after no other treaty guarantor was willing to enforce this treaty. And you ask why the Turks cannot trust their security to anyone else.

Today, Greek Cyprus has just concluded a $250 million arms deal with France. It is rumored, and I will quote from Jane's Defense Weekly, issue of July 18, 1987, that Jew-Israeli Mossat Secret Service sources claim that members of the Sabri el-Bana that are Abu Nidal, the infamous terrorists, are training Armenian, Kurdish, and Greek-Cypriot guerrillas at bases in Troodos Mountains in Southern Cyprus. This is the kind of support that Southern Cyprus provides for terrorism.

Southern Cyprus has the capability of putting one soldier in the field for every two Turkish Cypriots on Cyprus. There are approximately 150,000 Turkish-Cypriots and the Greek, Southern Cyprus, can mobilize about 70,000 to 80,000 troops within several hours.

Today, I understand, there was a tremendous heatwave in Cyprus and the electricity plant is in Southern Cyprus. The Greeks have shut off all electricity to Northern Cyprus in the name of energy conservation. I find this interesting in that apparently none of the Greek-Cypriot residences have been spared this conservation effort. This is nothing new to us, and it is just an example of the type of relationship that the Turkish-Cypriots have had with the Greek-Cypriot community over the last 10 or 15 years.

The continued treatment of Greeks, Turkey, Cyprus, and the Turkish Republic of Northern Cyprus together puts the pressure on the wrong party. It is time for the Greek community to be pressured to come to the negotiating tables, specifically the Greek-Cypriots. It is time for the Greek community to act with some responsibility.

As a Wall Street Journal editorial of September 1986, stated, "Recognition of the Turkish Republic of Northern Cyprus will put pressure on those who deserve it, Premier Papandreou and Greece."

The declaration of independence for the Turkish Republic of Northern Cyprus was an act to force the Greek-Cypriots to the negotiation table, and a lot of people do not appreciate that fact. In the Constitution, it states if we are going to recognize ourselves as a state, because in the long run, that is what is going to happen unless we sit down and talk at the negotiation table, and the Turkish community has demonstrated amply, cooperating with the United Nations' Peace Initiative by Secretary de Cuellar in accepting the most recent rules for sitting down and negotiating.

Whereas, the Greek community has refused to accept this, instead pushing for a Soviet sponsored international conference on the subject of Cyprus.

In conclusion, I think American foreign policy should be determined because of national concerns, not ethnic interests and fanners. The Republic of Turkey in Northern Cyprus have simply not been treated fairly, especially when one has an opportunity to objectively evaluate all the facts.

Thank you.

[The prepared statement of Mr. Suleiman follows:]

Prepared Statement

by Orhan H. Suleiman

Representing the

Maryland American Turkish Association

and

The Assembly of Turkish American Associations

The Republic of Turkey and the Turkish Republic of Northern Cyprus, along with Turkish Americans have been the victims of a systematic campaign of misinformation. This is possible because of our open system of government, and because the Greek American Community far outnumbers the Turkish American Community. The actions of the Greek American Lobby should be recognized for what they actually are, slanderous and ethnically motivated. I am not a paid lobbyist, but am here today because I am first an American, and second because my Turkish Cypriot heritage burdens me with an undeniable moral obligation.

Historical Review

Let me briefly review some of the historical events that are mandatory to understanding this complex and tragic subject. After Cyprus was granted independence in 1960, with the president always Greek, and the Vice-president always Turkish, the immediate objective of the Greek community had been obtained, the removal of the British. The Greek Cypriots then devoted their efforts to the real objective, union of Cyprus with Greece, commonly referred to as ENOSIS. Since Enosis was specifically prohibited under the constitution it was circumvented in 1963 when President Makarios declared critical parts of the constitution unconstitutional! This and other actions, including premeditatd attacks upon the Turkish community , led to a decade of oppression and terror for the Turkish community on Cyprus. For an excellent review of this subject I refer you to the recently published text by John Reddaway," Burdened With Cyprus:The British Connection" (Butler & Tanner, London, 1986).

What ensued was that the Greeks first brutally attacked and killed Turks throughout the island during December of 1963, chased the Turks into protective refugee villages and enclaves, and treated the Turks as non-existent members of the community. I always find it interesting that Greeks portray this series of one-sided genocidal attacks as "intercommunal", a classic example of doublespeak. My aunts and uncles fled the village of Pano Lefkara in 1963, my grandmother was killed in an attack on the refugee village of Gecitkale (Kophinou) in 1967, and all my relatives eventually relocated under the protection of the Turkish Armed forces in the now Turkish Republic of Northern Cyprus. Pierre Oberling's "Road to Bellapais:The Turkish Cypriots Exodus to Northern Cyprus" (Columbia Universiy Press, New York, 1982), presents both a factual and accurate perspective of the Cyprus problem from a Turkish perspective.

It is apparent to any objective scholar that articles and texts sympathetic to the Turkish perspective must, by necessity, be well referenced. The facts scream out for justice, on behalf of the Turkish Cypriots! This is in stark contrast to those pro-Greek texts and articles which are skillfully skewed by the tactical omission of historical facts and heavily dosed with emotion!

We have members of our organization, the Maryland American Turkish Association, who were not allowed to return to Cyprus after completing studies abroad, individuals who immigrated to the United States because of the Greek Cypriots' continuous harassment. We have individuals from Larnaca, Limassol, Paphos, Lefka, Nicosia, Lefkara, Famagusta. These Turkish Americans immigrated to the United States because the one thing the Greeks gave willingly to Turkish Cypriots were emigration visas!

Turkey intervened in 1974 to protect the Turkish population under specific provisions of the Cyprus constitution, Turkey intervened as a result of a coup sponsored by Greece whose ultimate objective was the Hellenization of Cyprus, a possibility that was envisioned in the 1960 constitution establishing the Republic of Cyprus! Turkey intervened only after no other treaty guarantor was willing to enforce the treaty! And you ask why Turks cannot trust their security to anyone else?

Current Status

Today Greek military forces, including so-called Greek Cypriot "reserves" who can be activated within hours, easily outnumber the Turkish forces by 3-4 times, that is one Greek soldier for every two Turkish Cypriot citizens, men, women, children! Recently the Greek Cypriots have consummated a $250 million Arms deal with France. In spite of this overt militarization we hear demands from the Greek community to remove these troops, whose presence has ironically kept peace and eliminated ethnic violence. What would the Greek community have Turkish Cypriots do, surrender the freedom and security provided by the Turkish presence and live once again under the protection of the Greek Cypriot dominated gestapo-like Cyprus National Guard?

The Turkish Republic of Northern Cyprus, a nation established because of necessity! A Declaration of Independence which specificly states that the legitimization of a de facto state is necessary in order to pressure the Greeks to the negotiation table. I do not use the term peace table, because since the Republic of Turkey intervened there has been peace, but there still needs to be negotiation if the island is ever to be reunited.

My major thesis is that the Cypriot people would be able to work out a solution if left to themselves! One argument is that Turkey remove its troops. This is unacceptable! Turkey could remove its troops but who will guarantee the safety of the Turkish Cypriots? Unlike Greek Cyprus, Northern Cyprus has no such military capability. It is entirely dependent upon the Republic of Turkey for its protection. The Greeks have also proven themselves to be untrustworthy- therefore the only way to allow for these two communities to resolve their differences, and give peace a chance, is not for Turkey to remove its police force, but for the Greek Cypriots to first disarm themselves. Now that the Greek Cypriot community is armed to the teeth why should the Republic of Turkey withdraw its troops when her actions over the last 13 years document her defensive intentions? It is the Greek community that should be called upon to disarm! Only by the demilitarization of Greek Cyprus first, and by symbolic gestures from Greece and Greek Cyprus, will the Turkish community even consider trusting the Greek Cypriot administration, a necessity for Turkish troop withdrawals! The peoples are willing, but the political resolve is weak!

Greek terrorism in the 1950's victimized the British, Greek terrorism in the 60's and early 70's victimized the Turks. Since 1974 Greek Cyprus has harbored many terrorists from the middle east, yet the West tolerates these actions! It is rumored even today that Abu Nidal, the infamous terrorist, is hiding in Southern Cyprus. If it was Turkey which was harboring such terrorists, the Greek Americans would make sure that Congress was aware of it! Congress should be aware of this fact and act accordingly!

Turks have always been willing to meet the Greeks half-way, it is the Greeks who are the belligerents, it is the Greeks who have historically and continue even today, to resist negotiations, shirking there responsibility as a nation, and hoping that their common Christian heritage with the West will save them.

It is sad that the Greek community has kept the fire of ethnic hatred alive these recent years, because with the establishment of the Republic of Turkey, Turks genuinely felt that a new, positive chapter with the Greeks had been entered. Greeks today would like to forget that the great Greek statesman Venizelos nominated the founder of modern day Turkey, Mustafa Kemal Ataturk for the Nobel Peace prize. The 1920's saw a very encouraging cooperation between the two nations. Unfortunately, these ancient hatreds were resurrected by the Greek community in there fanatic drive toward ENOSIS, union of Cyprus with Greece. Recent events have not only demonstrated the apparent dislike of Turks by Greeks, but, I am afraid, it is beginning to generate similar emotions by the Turkish community.

The continued treatment of Turkey, Greece, Cyprus, and the Turkish Republic of Northern Cyprus together puts pressure on the wrong party. It is time for the Greeks to be pressured to come to the negotiating table. It is time for the Greeks to act with some responsibility! As the Wall Street Journal Editorial of September 22, 1986, stated, recognition of the Turkish Republic of Northern Cyprus will put pressure on those who deserve it, Papandreaou and Greece! The Declaration of Independence for the Turkish Republic of Northern Cyprus was a ploy to force the Greek Cypriots to the negotiation table, yet they continue to resist the efforts by the U.N. Secretary General, pushing instead for a Soviet sponsored International Conference on Cyprus. Greek Cypriot policy depends heavily upon the Greek Lobby's influence on this nation's foreign policy. I ask you to ignore it!

The less the United States interferes in the Cyprus issue overtly, the better will be the outcome. But to continually treat U.S. foreign policy interests as a package, including the Greek generated problems of Cyprus, is unfair both to the peoples of Cyprus, Northern Cyprus, Turkey, and Greece. Foreign policy should be determined because of national concerns, not ethnic interests. The Cyprus issue is also a humanitarian one, more so for the Turkish Cypriots than the wealthy Greek Cypriots.

Wall Street Journal

September 22, 1986

The Stateless of Cyprus

When President Rauf Denktash of the "Turkish Republic of Northern Cyprus" arrived in the U.S. last week, he and his entourage were given visas stamped "stateless persons." That is because the U.S. recognizes only the Greek Cypriot government. The U.S. should reconsider that policy.

The problem of Cyprus can be summed up in two words. Andreas Papandreou. The last thing the socialist Greek premier wants is a resolution of the island's differences. He would lose his opportunity to accuse Turkey of devious intentions, which he does to distract Greeks from their decrepit economy. Just as important, he would lose the collusion of the U.S. Congress. Since Turkey's 1974 military intervention, U.S. aid has been held to a 10:7 ratio for Turkey and Greece. That allows Mr. Papandreou to influence military aid to Turkey by not making full use of his own.

Cyprus is not Lebanon nor Northern Ireland. The Turkish intervention effectively separated the island's two nationalities who, for 14 years, had been periodically pitted against each other by a succession of demagogues. The Turkish minority—about 20%—is not asking for equal government representation. It wants the system promised by the 1960 independence constitution that was signed by Britain with Greece and Turkey as guarantors. This would still give Greeks the presidency and the upper hand in the legislative bodies. If Turkish rights could be secured, Mr. Denktash would be willing for his government, now recognized only by Turkey, to be temporary.

It is one of the great myths of our time that Turkey is behind the troubles. Athens, not Ankara, is the enemy of Cyprus. In 1974, the Greek colonels staged a coup on the island to encourage mainland interest in unification. They replaced Archbishop Makarios with a convicted pro-unification terrorist. This led to bloodshed and the arrival of troops from Turkey. A Greek appeals court in 1979 said that, "Turkey, as one of the guarantor powers, had the right to fulfil her obligations. The real culprits are the Greek officers who engineered and staged a coup and prepared the conditions for this intervention."

Mr. Denktash told Journal editors that his problems are not so much with current Greek Cypriot leader Spyros Kyprianou as with Mr. Papandreou, who has blocked all compromise proposals by U.N. Secretary General Perez de Cuellar. Mr. de Cuellar proposes more talks this month, but Mr. Papandreou says he wants an international conference instead. Coincidence no doubt, but the Soviets have seconded the motion for a conference. Their goal is to remove Turkish troops and two British bases that are major Middle East listening posts for the West.

The Greek Cypriots have nothing to gain from a divided economy, which has reduced trade between the two communities to smuggling. Nor is it in their interest to edge, along with Mr. Papandreou, toward the outer limits of NATO. Nicosia has bravely jailed terrorists who murdered Israeli tourists and has helped with U.S. military maneuvers in the area.

The Greek colonels should have taught Mr. Papandreou that the jingo approach to Cyprus won't save a faltering government in Athens. But so far he hasn't taken the hint.

The U.S. should recognize the Denktash government while encouraging the Greek Cypriots to separate themselves from Mr. Papandreou. This could be just the stick to prod Athens into letting Cyprus be Cyprus.

Mr. COLLINS. Thank you, Mr. Suleiman. I am sure that when the members read your testimony, they will have a better understanding of the Cyprus dispute, particularly as it exists today.

May we now hear from Paul McCleary, Director of the Washington office of the Save the Children Federation, Vice Chairman of the InterAct Committee on Public Policy.

It is a pleasure to meet you, Mr. McCleary.

SAVE THE CHILDREN FEDERATION

STATEMENT OF PAUL McCLEARY, DIRECTOR, WASHINGTON OFFICE, SAVE THE CHILDREN FEDERATION, AND VICE CHAIRMAN OF INTERACTION'S COMMITTEE ON PUBLIC POLICY

ACTIVITIES OF INTERACTION

Mr. McCLEARY. Our testimony has already been distributed, so I will not read this verbatim, but I would like to highlight three or four points in my testimony.

Mr: COLLINS. Please do.

Mr. McCLEARY. You have already called attention to the fact that I am the Director of the Washington office of the Save the Children and serve as co-Vice Chair of the Public Policy Committee of InterAction.

InterAction is a coalition of over 100 private and voluntary agencies involved in international development and relief activities. For your assistance, a list of those agencies has been attached to my testimony.

My remarks will touch on just three points, the overall funding level of foreign assistance, the special case of SubSaharan Africa, and the role of voluntary agencies in foreign assistance.

When comparing fiscal year 1981 funding levels with fiscal year 1987 administrative request levels, development assistance as a proportion of the total bill has decreased from 40 percent to 29 percent.

We urge that in your choices this year, you move closer to a balance more favorable between development and humanitarian assistance.

Mr. Simon has very carefully touched on that in his testimony and I will not discuss that point further, but we would lend our support to the testimony that he has given for a greater balance between development assistance and military assistance.

SUBSAHARAN AFRICA

The second point I would like to make is with regard to SubSaharan Africa: For the first time since African independence, there is a general consensus on the major constraints to African economic development. These include the need for economic policy reforms, especially to provide price incentives to farmers, thereby increasing food production, environmental production as a prerequisite to achieving sustained food output, family planning programs to slow Africa's burgeoning population explosion, and health and nutrition initiatives to erradicate the debilitating disease that sap the productivity of millions of people.

InterAction believes that it is imperative that funds be made available to the African Famine Recovery and Development Fund at the level originally proposed of $585 million, $475 million of which would be for development assistance and $110 million for the Economic Support Fund, ESF.

Of all the regions of the world, SubSaharan Africa alone has experienced both substantial, absolute and proportional cuts in the economic assistance in the last few years.

The third point I would like to make is with reference to the role played by private and voluntary agencies in the foreign assistance program. PVO's have historically emerged from the express concerns of the American public and, therefore, are a people-to-people, innovative and grassroots development program.

The examples of successful private voluntary agency collaboration in development initiatives are numerous. InterAction members are working with local groups and with indigenous non-governmental agencies in virtually every third world country.

My own organization, Save the Children, is imminently involved in innovative and effective child survival campaigns in 45 countries. CARE is pioneering in socioagrio forestry projects. AfriCARE is digging wells in numerous African countries. Helen Keller International is pioneering and overcoming blindness caused by vitamin A deficiencies among children. OEF International is enhancing the status of women through self-help programs. American ORT is conducting vocational training programs. Meals for Millions Foundation is improving nutrition through self-help integrated rural development programs in dozens of countries and the list goes on.

Increased uses of PVO's will also leverage significant amounts of additional private resources. Today, U.S. PVO's raise over $1.6 billion in private contributions, which is more than the total U.S. bilateral functional assistance provided through the Agency for International Development.

Finally, let me say a word about public support for foreign assistance programs. InterAction has released, recently, along with the Overseas Development Council, a survey of American attitudes toward foreign aid, which stated, "A majority of Americans, 54 percent, endorse U.S. economic assistance to developing countries, largely due to their humanitarian concern for other people and a sense of individual or national responsibility. While policy makers frequently assume that public support for aid fluctuates if U.S. economic conditions or media coverage of foreign disasters, public support for the program has actually remained remarkably steady over the last three decades."

Thank you for this opportunity to testify.

[The prepared statement of Mr. McCleary follows:]

Statement

by

Dr. Paul F. McCleary

Co-Vice Chair Public Policy Committee

InterAction
(American Council for Voluntary International Action)

and

Director
Washington Office
Save the Children Federation

Mr. Chairman, I thank you for this opportunity to testify before the Senate Appropriations Subcommittee on Foreign Operations on the International Security and Development Cooperation Act of 1987.

I am the director of the Washington office of Save the Children Federation. I also serve as the Co-Vice Chair of the Public Policy Committee of InterAction, a coalition of over 100 private and voluntary organizations working in international development, relief, migration and refugee assistance, public policy and federal relations and education on Third World development issues. InterAction exists to complement and enhance the effectiveness of its individual member organizations and to strengthen the capacity of the private and voluntary community as a whole.

InterAction's over 100 member organizations (list attached), includes such well-known voluntary agencies as CARE, Church World Service, Save the Children, World Vision, Africare, the American ORT Federation and dozens of others. InterAction's member organizations work in every third world country, are based in thirty-three states around the U.S. and are supported by private contributions from millions of Americans. Many of our members also receive some U.S. government funds.

My remarks will focus on three areas: overall foreign aid funding, the special case of Africa and the role of private voluntary organizations.

As you well know, security assistance levels have grown rapidly over the last six years, while development assistance has remained relatively stagnant. When comparing FY 1981 funding levels to the FY 1987 Administration request, development assistance as a proportion of the total bill has decreased from 40 percent to 29 percent. Security assistance (including economic support funds) has increased from 60 percent to 71 percent of the total.

We urge that in making your choices this year, you move closer to a balance more favorable toward development and humanitarian assistance (both bilateral and multilateral) relative to military security assistance. Our government's contribution to programs for improvement of the human condition must be increased if our long-term national interests are to be served effectively. The successes of economic and social development efforts promote stable societies, and their contribution to peace and progress it vital. Military conflicts are too often the end results of neglect in the areas about which we are concerned.

A major priority of InterAction is the recovery and development of sub-Saharan Africa. For over two years InterAction has been working on a special legislative proposal which includes a restructuring of assistance programs as well as a substantial proposed funding increase for Africa. For the first time since African independence, there is general consensus on the major constraints to African economic development. These include the need for economic policy reforms, especially to provide price incentives to farmers thereby increasing food production, environmental protection as a prerequisite to achieving sustained food output, family planning programs to slow Africa's burgeoning population explosion, and health and nutrition initiatives to eradicate debilitating diseases that sap the productivity of millions of people.

Since the U.N. Special Session on the Critical Economic Situation in Africa last May, many African nations are already demonstrating their willingness to make the economic and policy reforms necessary for increased productivity. The Reagan administration has recently launched a new African initiative and supports higher levels of assistance to Africa. It is crucial that Congress do its part by providing resources at a level which will support Africa's critical recovery and development needs. InterAction therefore believes it imperative that funds be made available to the Africa Famine Recovery and Development Fund at the level of $585 million ($475 for development assistance and $110 million for the Economic Support Fund).

Of all the regions of the world, sub-Saharan Africa alone has experienced both substantial absolute and proportional cuts in economic assistance in the last few years. Between FY 1984 and FY 1987, allocations to Africa declined drastically from $667 million to $486 million, a decrease of $181 million. Proportionally, Africa's share of worldwide economic aid declined precipitously from 13.9% in FY 1984 to only 9.6% in FY 1987. These reductions have been made despite the fact that Africa houses the majority of the world's poorest countries.

Failure by the United States to live up to its stated policy of backing African economic reforms will discourage efforts of

African and donor nations alike. Furthermore, a reduction in funding for recovery and long-term development in sub-Saharan Africa is short-sighted and inimical to U.S. self-interest. The recent post-drought progress in growing more food and reforming African economies will be jeopardized, with a terrible cost in human suffering. It will require enormous outlays by the U.S. for famine relief in the future. Moreover, providing increased funding for Africa will encourage and give heart to African nations and their people that the citizens of the United States are behind them in their courageous efforts to develop their economies.

Third, I would like to highlight the role of private and voluntary organizations in our foreign aid program. PVOs, which historically emerged from the expressed concerns of individual citizens, are considered effective in conducting low-cost, rural and urban-based, innovative, people-to-people development programs throughout the world.

The examples of successful private voluntary agency collaborative development initiatives are numerous. InterAction members are working with local groups and with indigenous non-governmental organizations in virtually every Third World country. My own organization, Save the Children, is intimately involved in innovative and effective child survival campaigns in 45 countries; CARE is pioneering in social agro-forestry programs; Africare is digging wells in numerous African villages; Helen Keller International is pioneering in overcoming blindness caused by Vitamin A deficiency among children; O.E.F. International is enhancing the status of women through self-help programs; American ORT is conducting vocational training programs; Meals for Millions Foundation is improving nutrition through self-help integrated rural development programs in a dozen countries; the list could go on and on.

Increased use of PVOs will also leverage significant amounts of additional private resources. Today, U.S. PVOs raise over $1.6 billion in private contributions, more than the U.S. total bilateral functional assistance accounts provided through the Agency for International Development.

The recent Africa famine provides dramatic evidence of the confidence placed in private voluntary organizations and their capacity to respond on short notice. In FY 1986 AID allocated $442 million to PVOs, including $82 million from economic support funds and the rest from the functional accounts. This is in addition to approximately $355 million in the Food for Peace program.

I call to your attention that most InterAction members strongly endorse S 1274, SEC. 308 (b) "(m)(1) For each fiscal year, not less than 15 per cent of the funds described in paragraph (2) shall be made available for the activities of private and voluntary organizations and cooperatives, and the President shall seek to channel not less than 20 per cent of the funds described in subparagraph (A) of paragraph (2) for the activities of private and voluntary organizations and cooperatives." Funds channeled through PVO's will result in cost effective development initiatives that generate additional funds from the American public through public donations.

Finally, let me say a word about public support for foreign assistance programs. InterAction has recently released, along with the Overseas Development Council, a survey of American attitudes towards foreign aid which stated, "A majority of Americans (54%) endorse U.S. economic assistance to developing countries largely due to their humanitarian concern for other people and a sense of individual or national responsibility.

While policy makers frequently assume that public support for aid fluctuates with U.S. economic conditions or media coverage of foreign disasters, public support for the program has actually remained remarkably steady for over three decades."

InterAction will continue to study the implications of the survey and encourage the development of new public education programs based on the results. A workshop on the survey was conducted on Capitol Hill on April 29. In addition, considerable effort is being placed by InterAction's Public Policy Committee, composed of representatives from over thirty member agencies, on enhancing individual agency's advocacy capabilities. This is a long term effort, but one with much potential.

For your information, I have also attached a copy of InterAction's 1985 Annual Report. Again, thank you for allowing me the opportunity to speak on behalf of the InterAction membership.

LIST OF INTERACTION MEMBER AGENCIES

Adventist Development and Relief International (ADRA)
African Medical & Research Foundation (AMREF)
Africare
Aga Khan Foundation U.S.A.
AirServe International
America's Development Foundation
American Council for Nationalities Service
American Friends Service Committee
American Fund for Czechoslovak Refugees
The Ameican Jewish Joint Distribution Committee, Inc.
American Jewish World Service
American Near East Refugee Aid (ANERA)
American ORT Federation
American Refugee Committee
Americares Foundation
Baptist World Alliance
Breakthrough Foundation
Brother's Brother Foundation
Buddhist Council for Refugee Rescue
CARE
Paul Carlson Medical Program
Children International
Children's Survival Fund
Christian Children's Fund
Church World Service
CODEL
Concern America
Direct Relief International
The End Hunger Network
Eritrean Relief Committee
Esperanca, Inc.
Experiment in International Living
Food for the Hungry
Foster Parents Plan
Foundation for International Community Assistance (FINCA)
Foundation for Peoples of the South Pacific
Global Water
Goodwill Industries of America
Grassroots International
Hadassah
Heifer Project International
Helen Keller International
Hermandad
HIAS
The Hunger Project
Institute for International Development
Institute for Cultural Affairs
Interchurch Medical Assistance
International Agency for Agriculture Development
International Catholic Migration Commission
International Center for Research on Women
International Eye Foundation
International Institute for Environment & Development
International Human Assistance Programs (IHAP)
International Institute of Rural Reconstruction
International Rescue Committee
International Social Service/American Branch
Internationl Voluntary Services

Laubach Literacy International
League for International Food Education
Lutheran Immigration and Refugee Service
Lutheran World Relief
MAP International
Meals for Millions/Freedom from Hunger Foundation
Mennonite Central Committee
Mennonite Economic Development Associates
Mercy Corps International
Migration and Refugee Services U.S. Catholic Conference
National Council of Negro Women
Near East Foundation
OEF International
Operation California
Opportunities Industrialization Centers
Overseas Development Council
Oxfam-America, Inc.
PACT
Pan American Development Foundation
Partners of the Americas
Pathfinder Fund
Pax World Foundation
Phelps-Stokes Fund
Planned Parenthood of NYC, Inc.
Planning Assistance
Polish American Immigration and Relief Committee
Population Communication
Presiding Bishop's Fund for World Relief
Project Concern International
Refugeees International
Rodale International
Salvation Army World Service Office
Save the Children Federation
Seeds
Sister Cities International
St. Mary's Food Bank
Surgical Aid to Children of the World (SACOW)
Technoserve
Tolstoy Foundation
Trickle Up Program
U.S. Committee for Refugees (ACNS)
U.S. Committee for UNICEF
Unitarian Universalist Service Committee
United Israel Appeal
Volunteers in Technical Assistance
World Concern
World Education
World Hunger Year, Inc.
World Neighbors
World Relief Corporation
World Vision Relief Organization
Young Men's Christian Association (YMCA) of the USA
Young Women's Christian Association (YWCA) of the USA

Mr. COLLINS. Thank you very much.

Let me ask you, Dr. McCleary, how does your group feel about the microenterprise legislation moving through the Congress at this time?

Mr. MCCLEARY. We have signed on a letter on the DeConcini bill along with several other PVO's and consider that a major step forward. That moving to deal with the level of those who are now entering the monied economy and feel that that bill could be very important in reaching a new mass of people as developing around the world.

Mr. COLLINS. Are you comfortable with the ceilings on personal income and the loan levels?

Mr. MCCLEARY. We agree with a cap level of $300, yes.

Mr. COLLINS. Thank you very much.

Mr. MCCLEARY. Thank you.

Mr. COLLINS. We will next hear from Trisha Katson, Legislative Director for the Liberty Lobby.

Welcome.

LIBERTY LOBBY

STATEMENT OF TRISHA KATSON, LEGISLATIVE DIRECTOR, LIBERTY LOBBY

Ms. KATSON. I would first like to say that I was here this morning for about an hour and when you were here and Senators Harkin, and Lautenberg.

Mr. COLLINS. Senator Nickles?

Ms. KATSON. Senator Harkin was here first around 9:00 until 10:00, and is it my understanding that you are a counsel, staff counsel?

Mr. COLLINS. Yes, I am. I am the Staff Director of the subcommittee.

Ms. KATSON. Richard Collins, right?

Mr. COLLINS. Yes, that is correct.

Ms. KATSON. I know that by saying this I may risk ever being invited to speak here again, but I felt it was important for me to express my disappointment that there is not one Senator here, present, of the 13 on the subcommittee. I know that the Americans that I represent would want me to express that disappointment to you, because they feel that the issue of foreign aid is vitally important and so I had to get that out.

Mr. COLLINS. Let me explain why we have done this. We have had a great deal of difficulty, there are 39 individuals and organizations who have requested an opportunity to testify and we scheduled this hearing for today. Through events totally outside of the control of the Appropriations Committee, our committee meeting to set up what are called 302 allocations, the allocation of budget authority and outlays available to the subcommittees has been postponed four times, largely because of legislation that has been pending on the floor of the Senate.

They are now meeting and have been meeting in the full committee room for the past 2½ hours. That is why we are conducting business under this procedure.

I do appreciate your concern and I will pass it on to Senator Inouye.

Ms. KATSON. I would hope that, I know that the people that I represent would want me to say that probably all 13 members or certainly most of them should be here to hear what we have to say, because it is probably going to be very different than what most of the people have been testifying here are going to be saying.

Even if the subcommittee members were here, I would probably be walking into kind of like a lion's den, because they are very generally pro-foreign aid, whereas, our group is generally against foreign aid.

With that said, I appreciate your indulgence and I would like to first say I am going to summarize my written statement. I would like my written statement to be inserted into the record, please, and I would also, if possible, like six pages from this book to be inserted into the record. It is a book called, Statistical Abstract of the United States, 1987, which is published by the Department of Commerce.

The six pages detail in a very good breakdown the tremendous amount of money that has been given from the United States, which is taxpayers' dollars, to other foreign countries over the last 40 years. About $277 billion in foreign grants and credits, and then another $299.3 almost $300 billion in economic and military aid programs over the same period of time.

Would that be possible?

Mr. COLLINS. It will be inserted in the record.

Ms. KATSON. Thank you very much.

Thank you for the opportunity to testify on behalf of our 23,000 board of policy members and the 100,000 subscribers of our weekly newspaper, the Spotlight.

Since its inception 32 years ago, Liberty Lobby has opposed foreign aid. This is consistent with our view that U.S. policy makers should do what is in the best interest of the citizens of the United States and the national sovereignty of our country.

We advocate a national foreign policy and we believe that profound problems have resulted from the internationalist foreign policy, which includes foreign aid, that our country has pursued particularly in the past 40 years or so.

Today, we feel that the only sane course is to return to a nationalist position and to do what is in the best interests of America first.

To those who would dismiss our arguments with charges that we are isolationists, I would say that we are simply following the American tradition of non-interventionism and neutrality espoused by George Washington in his Farewell Address and followed by every U.S. President until Woodrow Wilson.

America is fast becoming, unfortunately, the most hated nation on Earth as more and more people around the globe are waking up to see the horrifying truth of the banker and alien dominated foreign policy pursued by the United States beneath the deceptive veneer of the dishonest repetition that the United States longs for peace. That is truly an isolationist foreign policy.

There are arguments—I don't have time to make them now—that many could make that are very good ones that Congress does not even have constitutional authority to give foreign aid, but I don't have time to get into that at this point in time.

There is no constituency, virtually, for foreign aid among the hardworking taxpayers of America. We cannot afford to be giving out foreign handouts at a time when domestic programs are being cut, when the United States is the world's largest debtor nation, when we have a trade deficit of about $170 billion dollars, when the Federal budget deficit is about $200 billion dollars, when our national debt is more than $2 trillion dollars and that figure is more like $5 to $12 trillion depending on your source, if unfunded debt liabilities are included.

Foreign aid will have to be cut, say Congressman David Obey and others, unless taxes go up, and that is the last thing that most American people want. American labor and industry is already being taxed to death. Family farmers are losing their land, the erosion of our industrial base is a national disgrace.

In short, this nation is on the verge of bankruptcy, many believe, and the last thing that Congress should do is approve any foreign aid.

One place where this money should be put instead is toward an effort to rebuild our nation's infrastructure, to build new roads, repair and improve existing highways and bridges. There are bridges collapsing and roads that need to be repaired all over the country.

If the public were to perceive a linkage between the need to repair our roads and put millions to work without a tax increase, than with the enormously unpopular foreign aid program, with many Americans, the results would be devastating for the insiders who make political decisions.

I know that the special interests threatened by a possible cutoff of foreign aid are the most powerful interests in America, the international bankers, multinational corporations, and a host of foreign lobbies, with the most sacrosanct of all, Israel, at the forefront.

The billions that Israel gets in official figures does not include military aid, loans, subsidies, contributions, and assorted other handouts. We also provide billions to Egypt.

The United States has sold arms to both Iran and Iraq. These policies are not surprising when you realize the United States has funded both sides of more than 100 wars and battles throughout history.

Many foreign governments, to a much greater extent than the United States, directly subsidized their export industries. U.S. private industry, including farmers, cannot compete against the treasuries of foreign nations to which we often give foreign aid.

The massive amounts of foreign aid doled out by the United States goes way beyond what is known as the official foreign assistance program. About half of the U.S. defense budget goes to defending our so-called "allies" around the globe, and that is about $150 billion. About 40 percent of that goes to defending our NATO allies.

Likewise with Japan, yet it is our major trade competitor. They are enjoying a trade surplus, while the U.S. has a trade deficit, as I mentioned before. Japan uses some of the money to buy up U.S. farmland, real estate, businesses and other property.

Even that portion of the defense budget that can be classified as going toward defending ourselves against our enemies is negated by another type of foreign aid and that is the trade and technology transfer and sales by American corporations to foreign governments.

Government policy makers do not discourage this, in fact, as a general rule, this is an encouraged practice. In the case of the Soviets, the U.S. has helped to build the very enemy we are supposedly arming ourselves against, and U.S. taxpayers have subsidized wheat to the Soviets. American governmental agencies and banks loan money to the Soviets. Former Ambassador Averell Harriman said that Stalin told him that about two-thirds of all the large industrial enterprises in the Soviet Union were built with U.S. help or technical assistance, and this has been brought out in much greater detail by Congressman John Ashbrook on the floor of the house in 1973.

Mr. COLLINS. Ms. Katson, may I ask you to summarize in the interest of those who are waiting?

Ms. KATSON. Have I gone beyond my 10 minutes?

Mr. COLLINS. Yes.

Ms. KATSON. All right, I am sorry.

I will conclude by saying that the United States cannot continue to be policemen for the world. It is simply impossible for the United States to keep up its role as the world's caretaker and still adequately satisfy the needs of its citizens.

The trillions of U.S. taxpayer dollars that have been sent abroad have done us no good. Those who envision a one-world socialist system, who view the economic and political decline of the United States as a necessary step toward that goal and who favor the massive redistribution of wealth from the United States no doubt disagree with our view.

In conclusion, I will say that we demand that foreign nations not interfere with our affairs, so we must refrain from interfering in theirs. Let's bring the hundreds of thousands of U.S. troops now abroad home. Let's stop aiding our so-called "enemies" and then we won't have to confront them in every foreign country at every opportunity.

Let's work toward putting an end to foreign aid.

Thank you for the opportunity to testify. If you have any questions, I would be glad to answer them.

[The prepared statement of Ms. Katson and the six pages from the Statistical Abstract of the United States 1987 follows:]

PREPARED STATEMENT OF TRISHA KATSON

LEGISLATIVE DIRECTOR

LIBERTY LOBBY

Thank you for the opportunity to testify on behalf of our 23,000 board of policy members and the 100,000 subscribers of our weekly newspaper, The SPOTLIGHT.

Since its inception 32 years ago, Liberty Lobby has opposed foreign aid. This is consistent with our view that U.S. policymakers should do what is in the best interest of the citizens of the United States and the national sovereignty of our country. We believe in America first. We advocate a nationalist foreign policy. We believe that profound problems have resulted from the internationalist foreign policy, which includes foreign aid, that our country has pursued for the past 60 years. Today the only sane course is to return to a nationalist position and do what is in the best interests of America first.

To those who would dismiss our arguments with charges that we are isolationists, I would say we are simply following the American tradition of non-interventionism and neutrality espoused by George Washington in his Farewell Address and followed by every U.S. president until Woodrow Wilson.

The official foreign aid package includes two types of aid. The first is called "international security assistance" comprised of foreign military sales credits; military assistance; economic support fund; and money for international "peacekeeping" operations, international military education and training and so-called "anti-terrorism assistance." The second foreign aid group is "international development and humanitarian assistance," comprised of money to multilateral development banks; international organizations; the Agency for International Development; Public Law 480 food aid and refugee assistance. We oppose all of it.

It makes no sense, for instance, to give millions of dollars to the World Bank when it made $1.8 billion in profits while the U.S. was becoming the world's number one debtor nation. The World Bank then takes some of its profits and purchases U.S. government securities--a completely risk-free investment, the dividends of which are paid by the hard-working U.S. taxpayer.

What good has come of the massive wealth--literally trillions of dollars--that has been redistributed to foreign nations? We have financed the industrial bases of other countries so as to allow them to dump their goods into our nation and put Americans out of work. We have financed the war machines of other nations who only look out for their own interests and act as our "allies" only when their interests are served. Through foreign aid, we are transporting capital and technology abroad that is needed here in America.

America is fast becoming the most hated nation on earth as more and more people around the globe are waking up to see the horrifying truth of the banker-and-alien dominated foreign policy pursued by the U.S. beneath the deceptive veneer of the dishonest repetition that the U.S. longs for peace. That is truly an isolationist foreign policy.

The massive amounts of foreign aid doled out by the U.S. goes way beyond what is known as the official foreign assistance programs. That in itself is a huge sum. The Reagan administration has asked for more than $14 billion to fund foreign aid programs for fiscal year 1988 as well as another in supplemental spending for 1987 programs.

This does not take into account the massive foreign aid included in defense spending. About half of the U.S. defense budget goes to defending our so-called allies around the globe. That's about $150 billion. About 40 percent of that goes to defending our NATO allies. Likewise with Japan, yet it is our major trade competitor. They are enjoying a trade surplus while the U.S. has a trade deficit of about $170 billion. And Japan uses some of those monies to buy up U.S. farmland, real estate, businesses and other property.

Even that portion of the defense budget that can then be classified as going toward defending ourselves against our "enemies"-it can be argued-is negated by another type of foreign aid: the trade and technology transfers and sales by American corporations to foreign governments. (Government policymakers do not discourage this. In fact, as a general rule, this is an encouraged practice.) In the case of the Soviets, the U.S. has helped to build the very "enemy" we are supposedly arming ourselves against. U.S. taxpayers have subsidized wheat to the Soviets, American governmental agencies and banks loan money to the Soviets. Former Ambassador Averell Harriman said that Stalin told him that about two-thirds of all the large industrial enterprises in the Soviet Union were built with U.S. help or technical assistance.

The Export-Import Bank has provided the Soviets with credits at an interest rate of six percent. These credits have been used on materials they can use against the U.S. U.S. taxpayers subsidize this bank while they themselves have to pay much higher interest rates on their mortgages, loans and other credits. All of this was brought out in great detail by the late Rep. John Ashbrook (R-Ohio) on the House floor on October 24, 1973.

To further demonstrate the self-defeating nature of U.S. foreign aid: while we are spending billions to arm ourselves against "enemies of democracy," unbeknownst to most Americans, there is a group called the U.S.-U.S.S.R. Trade and Economic Council (USTEC) in full operation. USTEC is composed of the heads of big banks, big businesses and big defense contractors, the core of the U.S. military-industrial complex who have teamed up with top Soviet officials. U.S. government officials have actively worked to promote the group's goals.

Another type of foreign aid that technically falls under domestic spending is the millions of dollars received each year in federal farm subsidies by foreign owners of U.S. farmland. In 1985, foreign owners received $7.7 million in direct payments and $12.3 million in price-support loans. Rep. Leon Panetta (D-Calif.) has legislation dealing with this.

There is no constituency for foreign aid among the hard-working taxpayers of America. We can ill afford to be giving out foreign handouts at a time when the U.S. is the world's largest debtor nation; when we have a trade deficit of $170 billion; when the federal budget deficit is about $200 billion; when our national debt is more than $2 trillion (and that figure is more like $5-12 trillion, depending on your source, if unfunded debt liabilities are included). Foreign aid will have to be cut, says Rep. David Obey (D-Wis.), unless taxes go up, and that is the last thing the American people want. American labor and industry is already being taxed to death. Family farmers are losing their land, the eroding base of our industrial base is a national disgrace--in short, this nation is on the verge of bankrupcy and the last thing Congress should do is approve any foreign aid.

One place where this money should be put instead is toward an effort to rebuild our nation's infrastructure--build new roads, repair and improve existing highways and bridges. At the same time President Reagan was pleading to increase foreign aid, he was calling for domestic spending cuts and vetoed the highway bill which was designed to rebuild our nation's infrastructure. Where are his priorities? If the public were to perceive a linkage between the need to repair our roads and put millions to work without a tax increase, with the enormously unpopular foreign aid program, the results would be devastating for the insiders who make the political decisions.

The special interests threatened by a possible cutoff of foreign aid are the most powerful interests in America--the international bankers, multinational corporations, and a host of foreign lobbies with the most sacrosanct of all, Israel, at the forefront. The millions that Israel gets in official figures does not include military aid, loans, subsidies, contributions and assorted other handouts. We also provide millions to Egypt. The U.S. has sold arms to both Iran and Iraq. These policies are not surprising when you realize that, as former Rep. Ron Paul (R-Texas) has noted, the U.S. has funded both sides of more than 100 wars and battles.

Many foreign governments, to a much greater extent than the U.S., directly subsidize their export industries. U.S. private industry, including farmers, cannot compete against the treasuries of foreign nations, to which we often give foreign aid.

The U.S. cannot continue to be policeman for the world. It is simply impossible for the U.S. to keep up its role as world caretaker and still adequately satisfy the needs of U.S. citizens. It is foolhardy to think that any country has sufficient human and natural resources to put out the many fires that flare up worldwide, supply the everyday needs of "welfare" countries, and still have enough to satisfy domestic needs.

The trillions of U.S. taxpayer dollars that have been sent abroad have done us no good. Those who envision a one-world socialist system view the economic and political decline of the U.S. as a necessary step toward that goal and who favor all the massive redistribution of wealth from the U.S. abroad no doubt disagree with our view.

We do not believe in promoting foreign aid, unlike Rep. Vin Weber (R-Minn.) and his Conservative "Opportunists" Society, as a way to export "democratic capitalism." Let's keep that capital at home. Our nation should mind its own business. We want our country to worry about the problems at home rather than those abroad. We want to spend our tax money in ways that will benefit the American people, not foreign politicians, international bankers, and communists.

As we demand that foreign nations not interfere with our affairs, so we must refrain from interfering in theirs. Let's bring the hundreds of thousands of U.S. troops now abroad home. Let's stop aiding our so-called enemies and then we won't have to confront them in every foreign country at every opportunity. Let's put an end to foreign aid.

NO. 1396. U.S. GOVERNMENT FOREIGN GRANTS AND CREDITS: 1945 TO 1985

[In millions of dollars. "P.L." means Public Law. For explanation of minus sign (−), see headnote, table 1397. See also text, section 30, and *Historical Statistics, Colonial Times to 1970*, series U 75-101]

PROGRAM	Post WW II period[1]	1945-1955, total	1956-1965, total	1966-1975, total	1976-1981, total	1982	1983	1984	1985, prel.
Total, net	**277,843**	**53,499**	**49,723**	**70,367**	**52,127**	**11,901**	**11,641**	**14,050**	**14,337**
Investment in international financial institutions [2]	14,442	635	655	2,719	5,327	1,007	1,369	1,427	1,302
Under assistance programs, net	**263,201**	**52,864**	**49,067**	**67,647**	**46,800**	**10,893**	**10,272**	**12,622**	**13,035**
Developed countries [3]	43,178	36,039	5,834	616	899	−77	279	111	−522
Developing countries [3]	220,024	16,826	43,233	67,032	45,901	10,970	9,993	12,511	13,557
Net new military grants	81,655	14,810	21,564	30,236	6,821	1,369	1,357	2,348	3,149
Developed countries [3]	18,937	8,910	7,931	691	666	201	239	169	131
Developing countries [3]	62,718	5,901	13,633	29,545	6,155	1,169	1,118	2,179	3,018
Gross new grants	82,211	15,044	21,805	30,281	6,841	1,373	1,361	2,354	3,151
Foreign Assistance Act [4]	80,558	13,427	21,769	30,281	6,841	1,373	1,361	2,354	3,151
Military supplies and services	45,272	12,282	20,662	9,802	1,701	346	224	187	67
Military assistance, service funded [5]	18,169	-	8	18,161	-	-	-	-	-
Financing of military purchases [6]	11,705	-	-	1,584	3,447	755	934	2,022	2,964
Relocation of facilities in Israel	800	-	-	-	800	-	-	-	-
Other special programs	4,612	1,145	1,100	734	893	272	203	145	121
Other	1,653	1,617	36	-	-	-	-	-	-
Less: Reverse grants and returns	*556*	*234*	*241*	*45*	*20*	*4*	*4*	*6*	*3*
Other grants, credits, and other assistance (through net accumulation of foreign currency claims)	181,546	38,054	27,503	37,412	39,979	9,524	8,914	10,274	9,886
Developed countries [3]	24,241	27,129	−2,097	−75	233	−278	40	−58	−653
Developing countries [3]	157,305	10,925	29,600	37,487	39,746	9,802	8,875	10,332	10,539
Net new economic and technical aid grants [7]	111,567	28,871	17,675	21,748	18,417	4,746	5,350	6,518	8,241
Developed countries [3]	21,354	20,294	780	−182	66	94	100	120	83
Developing countries [3]	90,213	8,578	16,896	21,929	18,351	4,652	5,250	6,399	8,158
Gross new grants	113,502	30,225	17,993	22,003	18,426	4,746	5,350	6,518	8,241
Foreign Assistance Act [4]	73,615	17,711	12,189	12,191	12,443	3,504	4,018	5,055	6,505
Farm products disposals:									
Foreign currencies, P.L. 83-480 [8]	6,468	-	2,048	4,234	136	10	25	9	6
Famine and other urgent relief	11,103	530	2,704	2,862	2,412	461	582	688	865
Payment of transportation	3,328	-	494	946	956	198	175	231	328
Food for development loan forgiveness	353	-	-	-	152	59	91	40	11
Supplies to military or trusteeship administration areas	7,786	5,872	132	530	639	186	127	141	153
Peace Corps	2,123	-	232	912	532	102	116	110	120
Other	8,725	6,113	194	321	1,158	227	217	244	253
Less: Reverse grants and returns	*1,935*	*1,353*	*318*	*255*	*9*	-	-	-	-
Net new credits [9]	68,208	8,642	7,025	16,954	21,862	4,774	3,568	3,746	1,637
Developed countries [3]	2,624	6,646	−3,207	310	242	−400	−60	−176	−730
Developing countries [3]	65,584	1,996	10,232	16,644	21,620	5,174	3,628	3,922	2,367
New credits	137,125	12,039	15,429	37,422	41,732	8,594	8,176	7,816	5,916
Export-Import Bank Act	47,172	4,271	5,257	15,505	12,932	2,276	2,598	2,532	1,801
Foreign Assistance Act [4]	55,492	1,919	6,196	12,053	19,605	4,501	4,514	3,945	2,758
Country program loans	26,599	1,765	5,722	8,362	7,222	1,125	969	760	675
Financing of military purchases	27,632	9	247	3,089	12,110	3,366	3,536	3,185	2,090
Social Progress Trust Fund	854	-	226	487	157	−1	5	−4	−16
Other	406	145	2	116	115	11	4	4	9
P.L. 83-480 [8]	19,190	48	3,839	7,161	4,614	768	797	909	1,055
Loans of foreign currency:									
To foreign governments	5,186	48	3,285	1,843	9	1	(z)	(z)	(z)
To private enterprises	435	-	202	217	8	4	3	2	-
Long-term credit sales	13,569	-	352	5,101	4,598	763	794	907	1,055
P.L. 80-806 [10]	7,988	-	-	2,433	4,532	39	261	428	296
Other	7,283	5,801	137	271	49	1,010	7	2	6
Less: Principal collections	*68,916*	*3,397*	*8,404*	*20,469*	*19,870*	*3,819*	*4,608*	*4,070*	*4,279*
Export-Import Bank Act	31,008	1,803	4,458	9,282	7,269	1,612	1,925	2,173	2,487
Foreign Assistance Act [4]	16,090	38	1,263	3,557	6,049	1,335	1,283	1,329	1,237
Country program loans	7,642	1	944	2,481	2,442	451	424	438	461
Financing of military purchases	7,568	2	222	852	3,245	839	817	855	735
Social Progress Trust Fund	561	-	9	198	253	28	24	24	24
Other	319	35	88	25	108	17	18	12	16
P.L. 83-480 [8]	6,859	-	180	3,753	1,605	334	366	333	288
Loans of foreign currency:									
To foreign governments	3,019	-	111	2,354	371	56	44	46	38
To private enterprises	315	-	43	175	81	5	5	4	2
Long-term credit sales	3,526	-	27	1,223	1,153	273	317	283	248
Lend-lease, surplus property, and grant settlements	4,501	677	2,001	1,438	307	20	20	22	16
P.L. 80-806 [10]	6,503	-	-	1,763	4,150	268	64	108	150
Other	3,955	880	501	677	491	250	950	106	100

See footnotes at end of table.

No. 1396. U.S. GOVERNMENT FOREIGN GRANTS AND CREDITS: 1945 TO 1985—Continued

[In millions of dollars. See headnote, p. 783]

PROGRAM	Post WW II period [1]	1945–1955, total	1956–1965, total	1966–1975, total	1976–1981, total	1982	1983	1984	1985, prel.
Other assistance (through net accumulation of foreign currency claims) [11]	1,771	541	2,802	−1,290	−300	4	−4	10	8
Developed countries [3]	263	190	330	−203	−75	28	(Z)	−1	−6
Developing countries [3]	1,508	351	2,472	−1,086	−225	−25	−4	11	14
Currency claims acquired	20,430	813	11,498	6,888	833	126	94	82	97
Sales of farm products	15,114	813	11,170	3,013	70	29	4	1	14
Second-stage operations [12]	5,316	-	329	3,875	762	97	90	81	82
Less: Currencies disbursed	*18,659*	*272*	*8,696*	*8,178*	*1,133*	*123*	*98*	*72*	*89*
Economic grants and credits to purchasing country	13,462	182	6,863	6,238	136	11	25	5	2
Other uses	5,197	90	1,833	1,940	996	111	73	67	86

- Represents zero. Z Less than $500,000. [1] July 1, 1945, through Dec. 31, 1985. All lend-lease and conversions of prior grants to credits are from V-J Day (Sept. 2, 1945). [2] For details, see table 1397. [3] Developed countries include Australia, Canada, Japan, New Zealand, South Africa, all countries listed under "Western Europe" in table 1397, except Portugal, Spain (through 1981), Yugoslavia, and Malta. and all countries listed under "Eastern Europe" in table 1397. Developing countries include all other countries listed in table 1397 (including Spain through 1981). [4] Foreign Assistance Act of 1961 (P.L. 87-195), as amended. Also includes predecessor and related programs. [5] Includes military assistance under Dept. of Defense Appropriation Act, 1966 (P.L. 89-394) and later acts. [6] Includes funds made available under Public Law 93-199 and subsequent legislation to release Israel from its contractual liability to pay for defense articles and services purchased under other legislation. [7] Net new grants are not adjusted for settlements for postwar relief and other grants under agreements, and net new credits exclude prior grants converted into credits, which were as follows: July 1945–December 1955, $2,198 million; 1956–65, $491 million; 1972, $994 million. Repayments on these settlements are included in net new credits. [8] Agricultural Trade Development and Assistance Act. [9] Outstanding credits on Dec. 31, 1985, totaled $70,657 million representing net credits extended since organization of Export-Import Bank, Feb. 12, 1934, less chargeoffs and net adjustments due to exchange rates ($1,946 million), and excluding World War I debts. The amount repayable in dollars at U.S. Government option was $68,933 million; the remainder was repayable in foreign currencies, commodities, or services, at the option of the borrowers. [10] Commodity Credit Corporation Charter Act. [11] Equivalent value of currencies still available to be used, including some funds advanced from foreign governments and after loss by exchange rate fluctuations ($1,553 million), was $218 million on Dec. 31, 1985. [12] Includes foreign currencies acquired from triangular trade operations and principal and interest collections on credits, originally extended under P.L. 83-480, which—since enactment of P.L. 87-128—are available for the same purposes as P.L. 83-480 currencies.

Source: U.S. Bureau of Economic Analysis, press releases and unpublished data.

No. 1397. U.S. GOVERNMENT FOREIGN GRANTS AND CREDITS, BY TYPE AND COUNTRY: 1945 TO 1985

[In millions of dollars. See text, section 30. Negative figures (−) occur when the total of grant returns, principal repayments, and/or foreign currencies disbursed by the U.S. Government exceeds new grants and new credits utilized and/or acquisitions of foreign currencies through new sales of farm products. See also *Historical Statistics, Colonial Times to 1970*, series U 75–186]

TYPE AND COUNTRY	Post WW II period,[1] total	1945–1955, total	1956–1965, total	1966–1975, total	1976–1981, total	1982	1983	1984	1985, prel.
Total, net	**277,643**	**53,499**	**49,723**	**70,367**	**52,127**	**11,901**	**11,641**	**14,050**	**14,337**
Investment in financial institutions	**14,442**	**635**	**655**	**2,719**	**5,327**	**1,007**	**1,369**	**1,427**	**1,302**
African Development Bank	54	-	-	-	-	-	18	18	18
African Development Fund	125	-	-	-	25	-	23	57	20
Asian Development Bank	712	-	-	110	272	59	56	80	135
Inter-American Development Bank	4,391	-	300	1,321	1,672	169	235	353	321
Int'l. Bank for Reconst. and Development	1,001	635	-	13	203	48	34	27	41
International Development Association	8,012	-	320	1,275	3,058	697	1,002	892	768
International Finance Corporation	147	-	35	-	97	14	-	-	-
Under assistance programs	**263,201**	**52,864**	**49,067**	**67,647**	**46,800**	**10,893**	**10,272**	**12,622**	**13,035**
Western Europe	**43,065**	**33,783**	**6,752**	**1,004**	**1,475**	**−188**	**170**	**261**	**−192**
Austria	1,227	1,019	193	−19	14	8	(Z)	3	10
Belgium and Luxembourg	1,881	1,606	305	17	16	−15	−17	−17	−15
Denmark	879	596	276	64	(Z)	−4	−13	−12	−30
Finland	63	86	−26	−19	22	−6	19	−11	−2
France	8,324	8,810	−171	−93	−159	−5	6	−17	−47
Germany, Federal Republic of	3,683	3,907	10	−117	−95	−9	−6	−6	−2
Iceland	47	34	33	−8	−8	−1	−1	−1	−1
Ireland	65	146	−16	−51	10	8	−7	−4	(Z)
Italy	5,626	3,987	1,435	85	269	−28	−25	−12	−84
Malta	84	1	3	47	34	-	-	-	(Z)
Netherlands	2,037	1,779	322	118	−111	−28	−20	−14	−9
Norway	1,182	697	362	379	−185	−26	−12	−4	−31
Portugal	1,517	248	241	34	707	−2	84	122	103
Spain	2,924	258	1,203	607	607	14	100	220	−84
Sweden	102	108	−20	17	17	−4	−5	−3	−6
United Kingdom	6,090	7,495	105	−546	−383	−206	−119	−134	−121
Yugoslavia	2,880	1,471	1,151	84	150	−31	20	17	18
Other and unspecified	4,434	1,534	1,348	407	568	147	187	134	109

See footnotes at end of table.

NO. 1397. U.S. GOVERNMENT FOREIGN GRANTS AND CREDITS, BY TYPE AND COUNTRY: 1945 TO 1985—Continued

[In millions of dollars. See headnote, p. 784. See also *Historical Statistics, Colonial Times to 1970*, series U 75-186]

COUNTRY	Post WW II period,[1] total	1945-1955, total	1956-1965, total	1966-1975, total	1976-1981, total	1982	1983	1984	1985, prel.
Eastern Europe	2,851	1,097	501	226	900	55	54	5	14
Czechoslovakia	186	191	-	-	-	(Z)	−2	−3	-
Poland	1,920	425	555	−75	744	86	74	67	44
Romania	147	-	-	92	50	−16	5	−18	35
Soviet Union	537	425	−59	214	95	−11	−21	−39	−68
Other and unspecified	62	56	5	−5	11	−4	−2	−2	3
Near East and South Asia	89,933	5,092	16,828	17,196	24,889	6,036	6,002	6,457	7,433
Afghanistan	499	31	227	185	83	−1	−2	−4	−21
Bangladesh	2,369	-	-	701	809	202	219	265	173
Cyprus	178	-	19	20	122	−2	(Z)	1	17
Egypt	14,922	41	1,009	271	5,039	2,344	2,061	1,925	2,232
Greece	4,723	2,147	1,261	905	430	−52	44	−14	−19
India	10,119	399	4,890	3,810	727	89	74	83	46
Iran	1,443	314	1,061	914	−541	-	−306	-	-
Iraq	93	13	81	−5	−7	−1	32	−8	−12
Israel	30,051	390	483	3,760	13,674	2,181	2,661	3,094	3,808
Jordan	2,467	26	495	618	1,099	170	77	−18	(Z)
Lebanon	416	15	78	90	112	−2	57	31	33
Nepal	371	3	86	105	78	22	28	24	26
Oman	80	-	-	(Z)	44	22	3	14	−4
Pakistan	7,294	189	3,092	2,048	560	167	348	415	475
Saudi Arabia	51	13	35	23	−12	−1	−2	−2	−2
Sri Lanka	753	(Z)	89	153	226	49	63	83	89
Syria	335	1	57	15	210	27	25	1	(Z)
Turkey	10,781	1,295	3,020	2,703	1,654	696	491	442	479
Yemen Arab Republic	279	-	40	24	75	30	37	33	41
UNRWA [3]	1,298	131	274	296	314	69	71	67	75
Other and unspecified	1,414	82	510	559	194	26	22	25	−4
Africa	17,091	148	2,272	3,610	4,850	1,192	1,221	1,807	1,992
Algeria	743	1	135	263	667	(Z)	−83	−108	−131
Angola	121	-	-	8	53	37	−8	−5	38
Benin	63	-	7	12	30	4	2	4	5
Botswana	204	-	(Z)	35	74	20	18	28	29
Burkina Faso	331	-	5	40	139	30	30	40	47
Burundi	71	-	4	5	24	8	8	13	9
Cameroon	216	-	16	50	108	14	3	20	5
Cape Verde	69	-	-	1	33	12	12	6	5
Chad	168	(Z)	5	20	51	6	18	29	40
Ethiopia	807	13	200	297	115	2	6	30	144
Ghana	418	(Z)	64	203	99	7	8	20	18
Guinea	200	-	58	68	56	1	2	4	11
Ivory Coast	128	-	14	57	51	−5	−3	2	12
Kenya	658	(Z)	34	78	263	54	81	67	82
Lesotho	224	-	(Z)	27	82	27	28	37	23
Liberia	707	25	139	86	140	72	69	106	71
Libya	224	25	192	6	-	-	-	-	-
Madagascar	107	(Z)	7	13	17	15	10	20	24
Malawi	92	-	5	30	27	3	7	10	8
Mali	267	-	12	58	85	15	16	32	49
Mauritania	182	-	1	20	62	13	22	26	38
Morocco	1,837	7	464	413	324	56	117	313	143
Mozambique	172	-	-	1	87	5	11	21	48
Niger	292	-	5	64	85	22	18	25	93
Nigeria	638	(Z)	87	284	−8	−5	80	49	151
Rwanda	104	-	2	13	33	12	11	19	15
Senegal	425	-	18	48	151	33	49	75	50
Sierra Leone	144	(Z)	22	38	46	8	11	9	11

See footnotes at end of table.

No. 1397. U.S. Government Foreign Grants and Credits, by Type and Country: 1945 to 1985—Continued

[In millions of dollars. See headnote, p. 784. See also *Historical Statistics, Colonial Times to 1970,* series U 75–186]

COUNTRY	Post WW II period,[1] total	1945–1955, total	1956–1965, total	1966–1975, total	1976–1981, total	1982	1983	1984	1985, prel.
Africa—Continued									
Somalia	670	(Z)	42	47	182	77	91	115	117
Sudan	1,496	-	66	52	218	261	213	222	443
Swaziland	66	-	(Z)	8	24	7	11	7	8
Tanzania	418	2	34	123	168	28	20	22	20
Togo	87	-	9	18	28	7	9	8	9
Tunisia	1,347	2	407	376	168	118	125	113	40
Uganda	85	-	12	33	25	2	4	3	5
Zaire	1,538	(Z)	258	342	534	85	44	207	68
Zambia	375	-	1	35	186	15	25	53	60
Zimbabwe	271	-	(Z)	(Z)	54	27	62	74	54
Other and unspecified	1,125	71	−75	343	391	97	75	92	131
Far East and Pacific	**71,009**	**10,466**	**16,199**	**34,778**	**6,675**	**813**	**1,193**	**664**	**221**
Australia	265	1	(Z)	276	−80	37	75	−5	−39
Burma	233	25	134	43	9	6	3	7	7
Cambodia	2,126	28	327	1,771	-	-	-	-	-
China: Mainland	49	-	-	-	2	12	9	20	6
Taiwan	6,115	1,267	2,681	1,523	1,051	34	−44	−144	−255
Hong Kong	90	3	35	41	37	11	−9	−14	−14
Indonesia	3,801	250	501	1,388	1,120	21	259	224	38
Japan and Ryukyu Islands	3,967	3,275	1,318	−345	5	−84	−16	−99	−87
Korea, Republic of	15,107	1,421	4,744	5,426	2,328	475	448	208	58
Laos	2,552	37	647	1,868	-	-	-	-	-
Malaysia	156	1	30	86	(Z)	−5	61	−6	−11
New Zealand	34	5	2	95	−10	−19	−15	−13	−11
Philippines	3,810	1,057	554	729	691	61	241	143	334
Singapore	188	-	(Z)	78	157	−15	−34	56	−53
Thailand	2,647	192	727	996	447	49	60	109	68
Trust Territory of the Pacific Islands	1,867	30	89	488	648	188	127	143	154
Vietnam	23,531	244	3,566	19,721	-	-	-	-	-
Other and unspecified	4,472	2,628	844	595	272	42	28	36	26
Western Hemisphere	**23,116**	**1,357**	**5,181**	**6,816**	**2,934**	**1,851**	**816**	**2,124**	**2,136**
Argentina	482	86	342	34	−66	31	26	16	14
Bahamas	2	(Z)	(Z)	29	−26	−1	(Z)	-	(Z)
Bermuda	(Z)	-	-	18	−18	-	-	-	-
Bolivia	1,047	77	288	270	220	33	51	39	69
Brazil	3,796	511	1,400	1,518	22	−137	35	82	366
Canada	592	−1	4	272	119	91	97	98	−87
Chile	1,000	102	740	724	−432	−51	−47	−28	−7
Colombia	1,637	44	446	846	29	−7	83	104	93
Costa Rica	889	16	83	103	42	46	202	183	214
Dominican Republic	1,095	1	184	360	143	73	38	141	154
Ecuador	462	34	131	144	50	−4	10	46	50
El Salvador	1,841	4	56	93	217	240	326	455	448
Guatemala	597	23	146	160	136	23	33	25	51
Guyana	115	(Z)	7	71	29	5	2	−1	(Z)
Haiti	512	27	75	42	182	46	42	44	55
Honduras	973	6	53	113	151	85	112	210	242
Jamaica	782	16	3	120	122	106	114	152	150
Mexico	1,916	226	178	305	569	1,064	−549	143	−42
Nicaragua	422	8	67	150	189	6	3	1	−2
Panama	525	10	103	210	77	13	15	54	43
Paraguay	179	4	67	86	16	2	3	1	1
Peru	1,388	55	304	274	294	(Z)	68	213	181
Trinidad and Tobago	207	-	35	21	162	11	−19	19	−21
Uruguay	205	8	90	116	−7	10	−5	−3	−4
Venezuela	242	6	156	115	27	−1	6	−37	−30
Central American Bank for Economic Integration	163	-	6	121	42	(Z)	3	−4	−4
Caribbean Development Bank	116	-	-	8	78	14	14	1	1
Other[4] and unspecified	1,931	−8	218	496	569	134	152	171	199
Other international organizations and unspecified areas	**16,136**	**1,022**	**1,335**	**4,018**	**5,077**	**1,133**	**816**	**1,304**	**1,431**

- Represents zero. Z Less than $500,000. [1] July 1, 1945, through Dec. 31, 1985; see footnote 1, table 1396. [2] Includes European Atomic Energy Community, European Coal and Steel Community, European Economic Cooperation. [3] United Nations Relief and Works Agency for Palestine refugees. [4] Includes Inter-American Institute of Agricultural Sciences, Organization of American States, and Pan American Health Organization.

Source: U.S. Bureau of Economic Analysis, press releases and unpublished data.

No. 1398. U.S. Foreign Economic and Military Aid Programs: 1946 to 1985

[**In millions of dollars.** For years ending **June 30** except, beginning **1977**, ending **Sept. 30**. Economic aid shown here represents total U.S. economic aid—not just aid under Foreign Assistance Act. Major components in recent years include AID, Food for Peace, Peace Corps, and paid-in subscriptions to international financial institutions, such as IBRD, and IDB. Cumulative totals for 1946–1985 are true totals net of deobligation; annual figures however, are gross unadjusted program figures. Military aid includes Military Assistance Program (MAP) grants, foreign military credit sales, service-funded programs, and excess defense articles]

PERIOD OR YEAR AND REGION	Total economic and military aid	ECONOMIC AID			MILITARY AID		
		Total	Loans	Grants	Total	Loans	Grants
1946–1985, total	**299,300**	**186,509**	**54,676**	**131,833**	**112,791**	**33,682**	**79,109**
1946–1952	41,661	31,116	8,518	22,598	10,545	-	10,545
1953–1961	43,358	24,053	5,850	18,203	19,305	161	19,144
1962–1969	50,254	33,392	15,421	17,972	16,862	1,620	15,242
1970–1979	65,714	26,902	9,995	16,907	38,812	14,179	24,633
1980–1985	80,423	52,975	9,726	43,249	27,448	17,778	9,670
1970	6,568	3,676	1,389	2,288	2,892	70	2,822
1971	7,838	3,442	1,299	2,143	4,396	743	3,653
1972	9,021	3,940	1,639	2,301	5,080	550	4,530
1973	9,472	4,117	1,391	2,726	5,356	550	4,805
1974	8,510	3,906	1,150	2,756	4,604	1,398	3,206
1975	6,916	4,908	1,679	3,229	2,009	750	1,259
1976	6,412	3,878	1,759	2,119	2,535	1,442	1,093
1976, TQ [1]	2,603	1,931	840	1,091	672	494	178
1977	7,784	5,594	2,083	3,511	2,190	1,411	779
1978	9,014	6,661	2,530	4,131	2,353	1,601	752
1979	13,845	7,120	1,900	5,220	6,725	5,173	1,552
1980	9,695	7,573	1,993	5,580	2,122	1,450	672
1981	10,550	7,305	1,460	5,845	3,245	2,546	699
1982	12,324	8,129	1,454	6,675	4,195	3,084	1,111
1983	14,202	8,603	1,619	6,984	5,599	3,932	1,667
1984	15,524	9,038	1,621	7,417	6,486	4,401	2,085
1985	**18,128**	**12,327**	**1,579**	**10,748**	**5,801**	**2,365**	**3,436**
Near East and South Asia	8,717	4,470	670	3,800	4,248	1,440	2,808
East Asia	842	426	146	280	416	377	39
Europe	638	107	-	107	531	455	76
Latin America	2,162	1,893	494	1,398	269	25	244
Africa	1,870	1,591	269	1,322	279	68	211
Oceania and other	15	14	-	14	1	-	1
Non-regional	3,883	3,826	-	3,826	57	-	57

- Represents zero. [1] Transition quarter, July–Sept.

Source: U.S. Agency for International Development, *U.S. Overseas Loans and Grants and Assistance from International Organizations*, annual.

No. 1399. U.S. Foreign Military Aid, by Regions and Selected Countries: 1982 to 1985

[**In millions of dollars.** For years ending **Sept. 30**, except as indicated. Military aid data include Military Assistance Program (MAP) grants, foreign military credit sales, International Military Education and Training, and excess defense articles]

REGION AND COUNTRY	1982	1983	1984	1985
Total	**4,195**	**5,599**	**6,486**	**5,801**
Near East and South Asia	**3,099**	**4,164**	**4,765**	**4,248**
Egypt	902	1,327	1,367	1,177
Greece	281	281	501	501
Israel	1,400	1,700	1,700	1,400
Jordan	57	53	117	92
Lebanon	11	102	16	1
Oman	30	30	40	40
Pakistan	1	261	301	326
Turkey	403	403	718	704
Yemen	12	7	5	6
Latin America [1]	**51**	**164**	**359**	**269**
Colombia	11	1	25	1
Costa Rica	2	5	9	11
Dominican Rep	6	7	6	9
Ecuador	5	5	7	7
El Salvador	82	81	197	136
Haiti	1	1	1	1
Honduras	31	48	77	67
Jamaica	2	4	4	8
Panama	5	6	14	11
Peru	5	5	11	9
East Asia	**352**	**367**	**443**	**416**
Indonesia	42	27	47	34
Korea	167	187	232	232
Malaysia	11	5	11	5
Philippines	51	51	52	42
Thailand	81	96	101	102
Africa [1]	**319**	**336**	**335**	**279**
Botswana	1	5	9	9
Cameroon	2	3	5	5
Djibouti	(z)	2	2	3
Gabon	3	2	3	(z)
Kenya	33	22	24	22
Liberia	13	13	13	13
Morocco	31	101	70	50
Niger	2	3	2	5
Somalia	25	31	33	34
Sudan	101	44	47	46
Tunisia	96	102	112	67
Zaire	11	10	8	8
Europe	**196**	**514**	**511**	**531**
Portugal	67	111	106	128
Spain	127	403	403	403
Non-regional	**79**	**53**	**71**	**57**

Z Less than $500,000. [1] Includē amounts not shown separately.

Source: U.S. Agency for International Development, *U.S. Overseas Loans and Grants and Assistance from International Organizations*, annual.

No. 1400. U.S. Foreign Aid—Commitments for Economic Assistance, by Regions and Selected Countries: 1982 to 1985

[**In millions of dollars.** For years ending **Sept. 30.** Falls under economic portion of the Foreign Assistance Act. Data cover commitments for economic and technical assistance by AID. See text, section 30]

REGION AND COUNTRY	1982, total	1983, total	1984, total	1985, total
Economic assistance	**4,990**	**5,244**	**5,684**	**8,132**
Near East and South Asia [1]	**2,307**	**2,400**	**2,474**	**3,867**
Bangladesh	74	79	77	76
Cyprus	15	15	15	15
Egypt	771	750	853	1,065
Israel	806	785	910	1,950
Jordan	15	10	20	100
Lebanon	9	52	28	20
Nepal	16	14	14	18
Oman	15	15	15	20
Pakistan	100	200	225	250
Sri Lanka	49	51	45	35
Turkey	300	285	139	175
Yemen Arab Rep	23	28	27	28
Regional	16	17	19	23
East Asia	**219**	**216**	**230**	**313**
Burma	8	14	12	15
Indonesia	68	72	75	72
Philippines	89	87	84	183
Thailand	31	23	36	36
East Asia Regional	23	21	23	7
Europe	**[1] 99**	**45**	**62**	**94**
Italy	52	13	10	2
Portugal	20	20	40	60
Spain	22	12	12	12
Latin America [1]	**614**	**842**	**912**	**1,506**
Belize	-	17	4	23
Boliva	2	11	52	18
Costa Rica	32	184	146	196
Dominican Rep	60	35	64	126
Ecuador	17	22	23	33
El Salvador	155	199	161	376
Grenada	-	-	48	11
Guatemala	8	22	5	76
Guyana	2	(z)	-	-
Haiti	12	27	26	31
Honduras	68	87	71	205
Jamaica	119	82	88	115
Nicaragua	6	-	-	-
Panama	12	6	11	74
Latin America [1]—Con.				
Paraguay	-	-	(z)	1
Peru	36	36	119	38
ROCAP [2]	13	19	16	107
Regional	22	37	23	30
Africa [1]	**643**	**636**	**728**	**900**
Botswana	11	10	11	10
Burkina	11	(z)	(z)	8
Burundi	5	6	4	4
Cameroon	15	19	23	24
Cape Verde	4	2	2	3
Chad	4	2	11	16
Congo	1	1	1	1
Djibouti	2	2	3	4
Equatorial Guinea	1	1	1	1
The Gambia	1	4	4	6
Ghana	1	-	(z)	2
Guinea	1	2	2	4
Guinea-Bissau	2	2	2	4
Kenya	39	61	53	40
Lesotho	10	12	10	11
Liberia	47	45	48	60
Malawi	8	7	8	25
Mali	10	10	12	32
Mauritania	6	5	5	11
Mauritius	2	2	4	7
Morocco	12	11	26	38
Niger	13	21	26	28
Rwanda	7	5	8	19
Senegal	16	19	35	44
Seychelles	2	2	2	2
Sierra Leone	3	1	1	(z)
Somalia	34	48	51	51
Sudan	125	115	146	149
Swaziland	9	6	6	9
Tanzania	11	-	1	(z)
Togo	3	3	4	4
Tunisia	5	5	2	23
Uganda	7	8	9	9
Zaire	10	15	26	36
Zambia	20	16	21	42
Zimbabwe	75	60	41	41
Regional	57	59	50	96
Non-regional	**1,108**	**1,106**	**1,279**	**1,446**

- Represents zero. Z Less than $500,000. [1] Includes countries not shown separately. [2] Regional programs covering Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama.

Source: U.S. Agency for International Development, *U.S. Overseas Loans and Grants and Assistance from International Organizations*, annual; and unpublished data.

Mr. Collins. I have no questions.

Thank you for an informative presentation from the opposing point of view.

Ms. Katson. Thank you very much.

Mr. Collins. We will now hear from Sarah Harder, President of the American Association of University Women.

Welcome, Ms. Harder.

AMERICAN ASSOCIATION OF UNIVERSITY WOMEN

STATEMENT OF SARAH HARDER, PRESIDENT, AMERICAN ASSOCIATION OF UNIVERSITY WOMEN

Ms. HARDER. Thank you, and thank you for allowing me to speak, with the assurance that my testimony will be forwarded to the Subcommittee on Foreign Operations. I would like to submit my written testimony for the record and to provide an oral summary.

The American Association of University Women is a century old, mainstream national women's organization with 150,000 members in 1,900 communities across the country. We have been a responsible voice for the silent majority for the century of our existence.

I will begin by disagreeing with the previous speaker that there is no constituency for foreign aid in the United States. I will agree with her that the constituency for foreign military aid is strongly overstated and overrepresented.

As an organization, AAUW, doesn't claim to be experts on foreign policy or U.N. issues, although many of our members do possess that expertise, we have been for half a century advocates for U.S. leadership in multilateral efforts to solve international disputes by peaceful means.

Before the United Nations started in 1947, our members were strong advocates for its establishment and three of our own leaders helped to play crucial roles in getting the structure of the United Nations in place, and of its affiliated agencies, programs for social and economic development.

This leads me to the first point. AAUW believes that the time has long passed when the United States can avoid the fact that we must change the traditional ways we have addressed thinking about U.S. national security.

If we are going to leave our children and their children the kind of world we want them to have, we have to be sure that U.N. voluntary programs receive adequate support, because they contribute as much to national security and peace as does national military hardware.

AAUW members would agree with the previous speaker, but the disproportionate foreign military aid is not supported by most Americans. However, we do not believe that most Americans believe that the United States can step out of the rest of the world and avoid our responsibility as a partner in our global future.

Among voluntary programs that AAUW strongly supports is the U.N. Development Program, the United Nations Children's Fund, the U.N. Environment Programme, U.N. Development Fund for Women, the World Food Program and International Fund for Agricultural Development.

With AAUW's deep interest in the United Nations, it is a matter of enormous concern to our members to learn that congressional actions are forcing us out of some international organizations, and by calendar year 1989, we could be out of the U.N. General Assembly as a voting member, if budgeting continues at last year's levels.

The vote by the House to pay less than half of the U.S. assessment to the United Nations means that votes in the Senate Appropriation Committee will be crucial to back up actions in the Senate Foreign Relations Committee, and we hope that members of your subcommittee agree that our objectives should be to restore the United Nations not to kill it and will help to lobby your colleagues for full funding of our obligations.

I know this subcommittee is not responsible for U.S. assessed contributions to the United Nations, but it is relevant to express concern here about that issue. Most grassroots Americans do not make the fine distinctions we make here in Washington between U.S. support of the voluntary programs on the one hand and the U.N. Secretariat on the other, and the specialized agencies, which we are bound by charter to make contributions to. The United Nations is the United Nations to the average citizen and it is thought of as a single entity.

What is perceived as damaging or negative in one part of the system necessarily contaminates perception of all parts of the system.

Thus, we urge that programs and issues which we are concerned with today be seen in the larger context of the total spectrum of U.N. directed activities and U.S. participation in contributions to those activities.

Our members at our recent national convention expressed outrage at this abdication of U.S. responsibility to the United Nations, and we would ask that that message of outrage be forwarded to your subcommittee members.

We believe that if we can get our priorities straight, we can find not only that we have the resources that we need to support development activities around the world, but that in fact we can not afford not to. The balance of terror is clearly not in the interest of any one of our futures.

Jessica Tuchman reminded us recently that in the not too distant future an administration that conscientiously tries to assure the country's national security will have to concern itself as much with the consumption and management of the planet's biological capital, as much with the balance of the global carbon cycle and the composition of the thin envelope of atmosphere that sustains us, as we now worry about the balance of military power, and the composition of armed forces that sustain us.

It is that balance of attention to crucial issues which threaten global security, which we believe is provided by these U.N. voluntary programs.

We note with concern that both the House and Senate committees have recommended authorizations of only $237 million for the international organizations and programs account, and that this represents a 40 percent cut from fiscal year 1985 levels. We recognize at the sametime this sum represents an increase over the Administration's request before you, but we consider the $237 million inadequate. We know it is going to cause the organizations mentioned to restrict severely their essential work.

Therefore, while we commend the committee for exceeding the administration's request, we strongly urge you to raise the allocation for the account to at least the $259 million that the constituent programs believe they need in order to continue operations at a barebones minimum.

The United Nations decade for women was the source of many of the programs that we support here, and I think it was the picture that it discovered of the world's women that was placed in start profile that impels our sense of urgency.

We note that while women are half of the world's adult population and one-third of its paid labor force, that women perform two-thirds of all the world's work at one-tenth of its wages and own less than one percent of its wealth.

That image of women puts into such stark relief, also, shows us the vast difference between rich nations and poor and the extent to which then it is the responsibility of the U.S. to address these issues as it is for other countries in this partnership.

Particularly, we note that the authorizing committee has recommended earmarking $219,000 for UNIFEM in 1988, the United Nations Development Fund for Women. We believe this is scarcely adequate to the need, and we are dismayed that no U.S. appropriation is scheduled for UNIFEM for next year.

That INSTRAW, the International Research and Training Institute for the Advancement of Women, also a result of the decade, which gives us the statistical data, which continues to tell us the urgency of these issues has received nothing this year or next.

We ask you to consider funding UNIFEM at a higher level. That INSTRAW, the agency through which the purposes of the United Nations decade for women will continue, receive at least a modest $100,000 from the United States.

I think it is important to put our contribution in perspective, while we made an initial contribution of $200,000 in 1979, 54 other countries, many of them far more financially pressed than we have continued to contribute.

If we endorse the authorization recommended, we do endorse the authorizations recommended of $26.6 million for IFAD, of $12 million for UNEP, and $110 million for UNDP. We ask you to support these programs to the extent possible.

We are convinced they not only benefit the women they serve, but they make a contribution to world security and peace far out of proportion to their exceptionally modest budget.

[The prepared statement of Ms. Harder follows:]

AAUW
American Association of University Women

TESTIMONY

By Sarah Harder, President, AAUW

July 30, 1987

Mr. Chairman, distinguished members of the Subcomittee on Foreign Operations, and colleagues who are here to represent other organizations, it is my pleasure to speak today on behalf of the American Association of University Women, a national mainstream women's organization with 150,000 members and 1,900 local branches in every state of the Union, the District of Columbia, the Virgin Islands, and Puerto Rico.

As an organization, we do not claim to be experts on foreign policy or U.N. issues, although some of our members do possess that expertise. We can claim more than half a century of advocacy for U.S. participation in multilateral efforts to solve international disputes by peaceful means.

Since the founding of the U.N. in 1947, we have consistently urged our members to be active and informed supporters of that organization and its affiliated agencies' economic and social development programs. We believe that world peace will be achieved only with worldwide achievement of equality and development.

This leads me to the first point I want to emphasize. AAUW believes that the time has long since come when we--U.S. citizens, Government officials, elected representatives, and those in the private business, information, and educational sectors--must recognize contemporary realities and change our traditional ways of thinking about U.S. national security interests.

If we are to leave our children and their children the kind of world we want for them, we must ensure that the U.N. voluntary programs receive adequte support as they contribute as much to national security and peace as does military hardware.

Among the voluntary programs that AAUW strongly supports are the U.N. Development Program, the U.N. Children's Fund, the U.N. Environment Program, the U.N. Development Fund for Women, the World Food Program, and the International Fund for Agricultural Development.

We note, however, that both the House and Senate committees have recommended authorization of only $237 million for the International Organizations and Programs account, and that this represents a 40% cut from the Fiscal Year 85 levels. We recognize, at the same time, that this sum represents an increase over the Administration request that is before you. However, we consider the $237 million indadequate because it will cause the organizations I have mentioned to restrict severely some of their essential work. Therefore, while commending the Committee for exceding the Administration request, we strongly urge you to raise the allocation for the account to at least the $259 million that the constituent programs believe they need to continue to operate at a bare bones minimum.

As Jessica Tuchman Mathews of the World Resources Institute said recently at a conference sponsored by the Committee for National Security, "in the not too distant future an administration that conscientiously tries to assure the country's national security will have to concern itself as much with the consumption and management of the planet's biological capital; as much with the balance of the global carbon cycle and the compositon of the thin envelope of atmosphere that sustains us, as we now worry about the balance of military power and the composition of armed forces that sustain it."

We are certain that if we get our priorities straight, we will find not only that can we afford to use differently the financial resources we _do_ have but that,in fact, we cannot afford not to. It is shocking to us to learn, for example, that whereas in 1973 one quarter of U.S. bilateral aid went for military or strategic purposes, now two-thirds goes for those purposes. Further, 40% or more of all U.S. aid goes to only two countries--Egypt and Israel.

A second point I wish to make in support of adequate funding for the International Organizations and Program account builds on what Elliott Richardson calls "the unforgiving logic of global interdependence." As a member, along with associations of university women in 50 other countries, of the International Federation of University Women, AAUW has long understood the meaning of thinking globally while acting locally. The International Federation was founded in the aftermath of the first World War by leading university women of Great Britain and the United States to ensure that, as they put it, "at least we shall have done all we can to prevent another such catastrophe." History has thus given _us_ an uunderstanding of this imperative.

We believe that it is crucial to our survival that our Government, with the support of our people, continue to assume a leadership role in the international community. This must include our active involvement in and leadership of continuing efforts to make the total U.N. system more effective.

AAUW, for its part, is committed to educating its membership in regard to global and interdependency issues.

Although I know that this Subcommittee is not responsible for U.S. assessed contributions to the U.N. and specialized agencies, I believe it is also relevant for me to express concern here about that issue. Our membership, along with most of grassroots America, does not make the fine distinctions we make here in Washington between U.S. support of the voluntary programs on the one hand, and, on the other, of the U.N. Secretariat in New York and the specialized agencies to which the U.S. is bound by the Charter to make contributions. The U.N. is the U.N. to the average citizen--it is thought of as a single entity. What is perceived as damaging or negative in one part of the system necessarily contaminates perception of all parts of the system. Thus, we urge that the programs and issues with which we are concerned today be seen in the larger context of the total spectrum of U.N.-directed activities and U.S. participation in and contribution to those activities.

We recommend in the strongest possible terms that the U.S. acknowledge the good-faith effort on the part of the Secretary-General and Secretariat leadership to overhaul U.N. administrative and budgetary procedures, primarily in response to U.S. Government insistence. Further, we recommend that we make this acknowledgment complete by immediately restoring in full our treaty-obligated contributions to the U.N. and specialized agencies' budgets, and by paying dues that are in arrears. It seems to us particularly urgent that this be accomplished at this session of Congress to avoid the likelihood of even more complex negotiations regarding the budget during 1988, an election year.

We certainly agree with Ambassador Walters when he says that "When you're not paying your dues it's hard to pound on the table and say you've got to do this and that...."

I find it striking that while the United States contributes five one-thousandths of a percent (.005%) of its Gross National Product to the U.N. regular budget, Equatorial Guinea contributes eleven hundreths of a percent (.11%) of its GNP, Czechoslovakia contributes seven hundreths of a percent (.07%), and Samoa gives twelve hundreths of a percent (.12%). I believe that the United States can and must do better than this.

It is a matter of enormous concern to our members to learn that Congressional actions are forcing us out of some international organizations, and that by calendar year 1989 (Fiscal Year 90), the United States could be out of the U.N. General Assembly as a voting member if budgeting continues at last year's levels.

We hope that this Subcommittee agrees with us that our objective should be to restore the U.N., not to kill it.

Finally, as a representative of an organization that is primarily concerned with equity for women, I am required to say something about the extraordinary fact of the U.N. Decade for Women and the results that may--and now must--flow from it. We consider that the Decade has brought extensive and valuable change.

Among the changes are these:

o Governments and international agencies are paying attention to the economic and social conditions of female populations.

o Women's ministries have been established in most coutries of the world.

o A new field of academic research on women-in-development issues has been created along with a new gender-differentiated data base, thus integrating women into national and international statistical programs (with a strong assist from the U.S. following the adoption of the Percy Amendment in 1973).

o Women are increasingly viewed as economically active members of their societies rather than simply passive recipients of the results of men's productivity (or ignored and invisible).

o And most significant, through experiencing the Decade, women from every country, culture, and ethnic group have come to a personal recognition of global interdependence and connectedness.

Within the limitations imposed by tight budgets, several of the U.N. voluntary programs inspired by the Decade have shown the capacity to support the interests of the world's women. They include these:

o The U.N. Development Program (UNDP), the U.N.'s largest development service network. It has supported more than 5,000 projects in 152 developing countries.

- The U.N. Development Program for Women (UNIFEM), now an integral part of UNDP. Created as a direct result of the Decade for Women, it is a cost-effective mechanism for promoting more than 400 women's self-help activities in 91 developing countries.

- The International Research and Training Institute for the Advancement of Women (INSTRAW), also created as a result of the Decade. It collaborates with U.N. departments and agencies to ensure that mainstream research and data collection identify women's economic and social contributions.

- The International Fund for Agricultural Development (IFAD), which has used micro-enterprise credit schemes to increase significantly the income-generating capabilities of the poorest of the poor (most of them rural women).

- The U.N. Environment Program (UNEP), which has productively linked women's roles as users and producers of resources with broader environmental and development concerns.

We note that the authorizing committee has recommended earmarking $219,000 for UNIFEM for 1988. We believe that this is scarcely adequate to the need. And we are dismayed that no U.S. appropriation is scheduled for UNIFEM for next year and that INSTRAW is to receive nothing this year or next.

We ask that you consider funding UNIFEM at a higher level, and that INSTRAW, the agency through which purposes of the Decade will continue, receive at least a modest $100,000 from the United States. (The United States made only an initial contribution of $200,000 in 1979; 54 other countries continue to contribute.)

We endorse the authorizations recommended of $26.6 million for IFAD, of $12 million for UNEP, and $110 million for UNDP.

We ask that you support those programs to the extent possible because we are convinced that they not only benefit the women they serve but make a contribution to world security and peace far out of proportion to their exceptionally modest budgets.

Mr. **Collins**. Thank you. It may be a minor consolation to you, but a majority of the subcommittee members have already indicated they will fund the UNIFEM program this year.

Ms. **Harder**. That is wonderful news. We are very, very pleased to hear that. Thank you.

Mr. **Collins**. We will next hear from Faye Wattleton, Planned Parenthood Federation of America.

It is nice to see you again.

PLANNED PARENTHOOD FEDERATION OF AMERICA

STATEMENT OF FAYE WATTLETON, PRESIDENT, PLANNED PARENTHOOD FEDERATION OF AMERICA

Ms. **Wattleton**. Thank you, Mr. Chairman.

Planned Parenthood Federation of America is the Nation's largest provider of family planning service and advocacy for reproductive health care organization in the United States. On behalf of this organization, which also operates an overseas program, Family Planning International Assistance, I am happy to testify today.

We are the largest AID funded private family planning organization with programs in 36 countries, serving 1.4 million men and women in 1985.

I submitted a longer statement for the record, but in the interest of brevity, I want to spend a few minutes on several issues that we are focusing on that are relating to family planning international assistance and the population assistance account that is on your bill.

The first issue is money, obviously. We know that this is the era of the Gramm-Rudman-Hollings and few in Congress can muster much enthusiasm for increasing foreign and programs at this time, when domestic programs are shrinking, or at least being held at level.

Nevertheless, within the constraints that you face, we urge this subcommittee to continue to emphasize humanitarian assistance, particularly assistance that works to promote maternal and child health in the developing world, as does Family Planning.

Family planning assistance has long been recognized as an essential component of any development strategy in the developing world, and accordingly Congress regularly increased appropriation levels each year, reaching a peak of $290 million in 1985. U.S. leadership, through its resources and technical assistance and other activities of understanding the needs in the developing world for family planning, have created a better awareness of the need and thereby a greater demand for assistance.

Yet, while more and more requests for family planning are now being made, appropriations have dropped dramatically since fiscal year 1985, and we see them now at $234.6 million in fiscal year 1986 and 1987. I understand the House Foreign Operations bill this year provides only $230 million.

In fiscal year 1987, AID taxed the various development accounts further, so that, in fact, only $214 million was available for overseas family planning programs. The remainder was allocated for administrative expenses, a contingency reserve and private sector loan fund.

We urge the subcommittee to fund population assistance account at its fully authorized level for 1988. The Senate Foreign Relations Committee has reported out a bill that would set that amount at $260.3 million, including approximately $45 million for Africa, and we would like to see that funding level approved.

In addition to adequate funding, we hope the subcommittee will take action to help restore the integrity of a program that has been undermined by the administration and opponents of family planning in Congress. It is critical that the high quality of U.S.-supported family planning services overseas not be compromised by either funding constraints or ideological interference.

Attacks on family planning programs during the Reagan years have taken many forms. After 20 years of bipartisan leadership, this Republican Administration reversed the U.S. government position by working to undermine population assistance. These efforts have ranged from budget cutting to interference in the publication of scientific periodicals.

From where we sit, the most outrageous act came in the summer of 1984, with the announcement ot the so-called "Mexico City Policy" which was unveiled at an international conference on population in that city, and led to the defunding of the International Planned Parenthood Federation. It has, indeed, been a menacing cloud hanging over the heads of all pride to organization, and the head that is now most threatened is Planned Parenthood Federation of America through its overseas operations.

Even though AID evaluators recently called our international program, "A creative, effective, and efficient institutional resource. The FPIA program is outstanding and its record of leadership and accomplishment are consistent with AID objectives in developing country needs."

The Mexico City Policy imposes on women in the developing world a policy that is unconstitutional in this country. The policy forbids foreign non-governmental organizations that receive AID family planning funds from providing any information about the availability of abortion, even if that organization does not do so with non-AID funds, and even if it does so in an activity that is entirely separate from the AID funded project.

This policy would be insidious enough on its own, but viewed in the context of the AIDS crisis, it is even more unacceptable. In parts of Africa, AIDS is equally prevalent among men and women and the incidence is rising sharply.

The Mexico City Policy would require any recipient of family planning funds in Africa to withhold information about abortion from a pregnant woman infected with the AIDS virus.

Congress has in the past debated the question of limits on AID funds relative to abortion. You have consistently rejected the restrictions imposed by the Mexico City Policy and chosen instead to limit only to the use of AID funds.

The Helms Amendment states that U.S. funds are not to be used to promote or perform abortion as a method of family planning. In spite of, and indeed in clear disregard of Congress' decision on this issue, the administration has gone radically further.

As a result, the women of the developing world have become pawns of the U.S. policy debate.

Mr. Chairman, the Foreign Assistance Act is up for reauthorization this year and the Mexico City Policy is addressed in the Senate Foreign Relations Committee bill. Nevertheless, it will be well this year, as in many recent years, that the bill that this subcommittee drafts will result in the only legislation dealing with foreign aid on any significant basis.

Thus, we urge you and the subcommittee to consider the concerns I have laid out today, and to take steps to limit AID's destructive policies.

We urge you to instruct AID to revert to its traditional and Congress' intended interpretation of the Helms Amendment, and to prevent the administration from imposing on private voluntary organizations that operate family planning service abroad, restrictions that would be unlawful and medically and ethically unacceptable in this country.

We do not speak to alter the Helms restrictions at this time on the use of U.S. funds for abortion, but neither should private organizations be restricted in their lawful use of their private resources as a condition of obtaining U.S. government assistance.

We ask you to end the Mexico City Policy. Specifically, we urge you to incorporate the Kassebaum-Pell language from the authorization bill into your bill, so that funds appropriated for population assistance programs are not subjected to the Mexico City Policy.

That same language was in the 1985 Senate Foreign Aid Authorization Bill, and an effort by Senator Helms to remove it on the floor was soundly defeated.

The Senate wants Mexico City Policy reversed, we urge you to support that sentiment.

We thank you for hearing our concerns and we hope that we will be successful in overturning this policy and in increasing funding for international family planning assistance.

[The prepared statement of Ms. Wattleton follows:]

PREPARED STATEMENT OF FAYE WATTLETON, PRESIDENT PLANNED PARENTHOOD FEDERATION OF AMERICA

Thank you, Mr. Chairman. I am Faye Wattleton, president of Planned Parenthood Federation of America, (PPFA) — the national organization of 183 local, community-based Planned Parenthoods providing reproductive health services and advocacy in 46 states plus the District of Columbia.

I am appearing today on behalf of more than 20,000 volunteers and staff who operate 761 medical centers in this country, our hundreds of thousands of donors and supporters, and the more than two million men and women who are served each year by our clinics. Planned Parenthood's commitment to insuring access to voluntary family planning services dates back more than 70 years in this country. We believe that women and families everywhere — in the developing world as much as in the United States — are entitled to determine for themselves whether and when to have children. PPFA established an international division in 1971, Family Planning International Assistance (FPIA), at the urging of the U.S. Agency for International Development (AID), to translate this principle into practice. Last year, FPIA assisted 134 family planning programs in 41 developing countries, providing contraceptive services to some 1.4 million people, and served over 2.5 million others through its commodities distribution program.

It is regrettable that the fiscal policies and priorities of this Administration have created the budgetary chaos that is eroding the foreign aid program, and humanitarian assistance in particular. Only six years ago, development assistance constituted 49 percent of total foreign aid spending, with the rest reserved for military aid. Today only 37 percent is devoted to development programs.

Family planning assistance has long been recognized as an essential component of any development strategy in the Third World. Accordingly, Congress regularly increased appropriations levels each year, reaching a peak of $290 million in FY 1985. U.S. leadership, through its resources, technical assistance, and policy guidance, has fostered greater understanding in developing countries of the need for family planning services, creating greater demand for assistance. Yet, while more and more such requests for family planning aid are made, appropriations have dramatically dropped since FY 1985 to $234.6 million in FY 1986 and FY 1987.

In FY 1987, AID taxed the various development accounts further so that in fact, only $214 million was available for overseas family planning programs. The remainder was allocated for administrative expenses, a contingency reserve and a private sector loan fund. We urge the Subcommittee to fund the population assistance account at its fully authorized level for FY 1988. The Senate Foreign Relations Committee has reported out a bill that would set that amount at $260.3 million, including approximately $45 million for Africa.

In addition to adequate funding, we hope the Subcommittee will take action to help restore the integrity of a program that is being undermined by the Administration and opponents of family planning in Congress. It is critical that the high quality of U.S.-supported family planning services overseas not be compromised by either funding constraints or ideological interference.

Population Aid Benefits National Goals and Enhances Child Survival and Safe Motherhood

As an organization that sees more than 2.3 million men and women in our U.S. facilities each year, Planned Parenthood's primary focus has always been on the needs of individual men, women and families. For that reason, Mr. Chairman, we have always been uneasy with the terminology of this issue when applied abroad. There is no dispute among us that the spiraling growth of the world population represents a troubling and multi-dimensional challenge. Thus, continued U.S. involvement in helping third-world countries develop balances between economic development and population growth is crucial. But as one who has travelled in Africa, Asia and Latin America and met with many people in those regions, I prefer to speak for family planning and health programs that help individual women and families make enlightened decisions about child-bearing in a voluntary, non-coercive environment. This subcommittee has consistently supported family planning abroad, and I know you, Mr. Chairman, have been a strong supporter of the rights of women and children at home, as well.

There are numerous examples that illustrate the dramatic success of U.S.-supported family planning programs in meeting the need for such services and lowering birth rates in individual countries. In Mexico, AID support through nongovernmental organizations has enabled the Mexican government to aggressively pursue an extensive family planning outreach program. In 1973, Mexico's population was growing at 3.3 percent per year, doubling in 21 years. By the early 1980's, contraceptive prevalence having quadrupled to 42 percent, the growth rate dropped to 2.6 percent. This means, however, that Mexico's 78 million people will still double their number in only 26 years. Continued AID support will be critical in order to provide family planning services in remote areas and to disseminate information to younger couples before they begin their childbearing. These activities are crucial to the Mexican program's further progress. There are many similar reports from other regions of the developing world, illustrating productive partnerships among governments and with private, voluntary organizations such as ours.

Ultimately, however, population assistance mostly comes down to the delivery of voluntary family planning services. Individuals and families can reap their own personal benefits from these services which are consistent with their governments' development goals.

Child survival has become the focus of significant efforts in international health. Indeed, dramatic improvements in infant mortality have been achieved through immunization and oral rehydration therapy. Family planning must also be acknowledged as a key component in any child survival strategy. Recent studies in Bangladesh show that family planning programs there have had as great an impact on child survival as all other child health interventions combined. According to a study reported by Johns Hopkins University, half of the estimated 10.5 million infant deaths that occur annually in developing countries could be avoided if women used family planning to space births, to have smaller families and to avoid high risk pregnancies.

Similarly, greater and more effective use of family planning services would significantly enhance maternal health in the developing world. Based on World Fertility Survey data, it has been estimated that if all women who say they want no more children and are not currently using effective contraception avoided all future births, about one-third of all maternal deaths now occurring in Africa, Asia and Latin America could be prevented. A large percentage of those deaths, I should note, stem from illegal abortions sought by women determined to end an unwanted pregnancy by any means possible. If more mothers survived, more children would, too. It is not surprising to learn that in Bangladesh, for example, a child whose mother has died also has a 95 percent chance of dying before his first birthday. Child survival and safe motherhood are integrally linked.

Integrity of the U.S.-Supported Family Planning Services in the Third World is in Jeopardy

Attacks on international family planning during the Reagan years have taken many forms. After a 20-year history of consistent leadership and support for the program from both Republican and Democratic administrations, the U.S. Government has reversed itself sharply at a time when governments throughout the developing world are calling for assistance to establish and expand family planning programs.

In preparing its FY 1983 budget request in 1982, the Administration actually circulated budget drafts that would have zeroed-out the population account altogether -- providing no funds at all. Fortunately, that thinking was reversed, and the Administration did request the funds.

On February 9, 1983, AID abruptly terminated funding for International

Family Planning Perspectives -- a prestigious scientific periodical published since 1978 with AID support. The cut off was in response to complaints by extremists on the Communications Review Board objecting to the inclusion of articles that mentioned abortion in the context of objective discussions of mortality rates among women in developing countries.

And then -- in the summer of 1984 -- came the "Mexico City Policy" -- so named because it was unveiled by the Reagan Administration at the United Nations Conference on Population in Mexico City. This policy was the single most harmful and outrageous attack on international family planning in the history of the program. It resulted, in January 1985, in the cutoff of support for the International Planned Parenthood Federation. I will elaborate on the "Mexico City Policy" in a moment.

In 1985, the Administration tried to waive its traditional "informed consent" requirement for groups receiving AID population funds to operate medical programs abroad, violating the principles of ethical health care and changing a long-standing tradition in order to accommodate the audacious demands of an unqualified organization that refused to abide by the policy. Fortunately, the Congress -- at the insistence of this Subcommittee -- overrode that policy and wrote language into the appropriations bill that year requiring AID to insist that organizations promoting natural family planning give their clients full information on all available contraceptive options, as other projects do. Informed consent has been a cornerstone of voluntary, non-coercive family planning program, and it must continue to be.

Finally in 1986, the Administration cut off all funds to the United Nations Fund for Population Activities (UNFPA) program -- going well beyond the intention of Congress in its expression of concern over reports of coercion in China, where UNFPA provides limited technical support to that country's huge population program.

It should not be surprising, then, in 1987, that those who advocate for and operate family planning programs in the developing world feel under siege. Because we at Planned Parenthood are directly and imminently threatened by the "Mexico City" policy, let me focus on it in more detail. This policy imposes upon women in developing countries restrictions that even former AID Administrator M. Peter McPherson conceded would be unconstitutional if imposed upon women in the United States. It makes women in developing countries the "bone," if you will, that the Administration has tossed to the anti-abortion groups as a replacement for its inability to impose similar restrictions here at home.

The policy forbids foreign non-governmental organizations that receive AID family planning funds from providing any information about the benefits or availability of abortion, even if that organization does so with non-AID funds, and even if it does so in an activity that is entirely separate from the AID-funded project.

This policy would be insidious enough on its own, but, viewed in the context of the AIDS crisis, it is even more unacceptable. In parts of Africa, AIDS is equally prevalent in women and men, and the incidence is rising rapidly. The Mexico City policy would require any recipient of family planning funds there to withhold information about abortion from a pregnant woman infected with the AIDS virus. Even U.S. Surgeon General C. Everett Koop, a dedicated anti-abortion activist, has urged that abortion information be made available to American women in the same circumstances.

Congress has in the past debated the question of limits on AID funds relative to abortion. You have consistently rejected the restrictions imposed by the Mexico City policy, and chosen instead to limit only the use of AID funds. The Helms Amendment states that U.S. funds are not to be used to promote or perform abortion as a method of family planning.

In spite of — indeed in clear disregard of — Congress' decision on this issue, the Administration has gone radically further. As a result, women in developing countries are being made the pawns of internal U.S. abortion politics, and organizations providing family planning services to women overseas are being forced to choose whether to continue to receive U.S. support, or, instead, to adhere to the same medical and ethical standards maintained in the United States concerning information about abortion.

It certainly seems that the Administration is at war with the international family planning program. Having defunded IPPF and the United Nations Fund for Population Activities, it is now threatening Planned Parenthood's international program, FPIA. Here at home, of course, the anti-abortion people within the Administration have been hard at work attacking our organization, so perhaps it is not a surprise that they are trying to destroy our overseas family planning activities. AID recently evaluated our overseas program, which it funds, however, and called us one of the "most effective family planning agencies inexistence" and "a creative, effective and efficient institutional resource for delivering commodities and family planning services." Someone at AID must like us, but they are going to defund us on December 31, unless the "Mexico City Policy" is reversed.

Recommendations:

Mr. Chairman, the Foreign Assistance Act is up for reauthorization this year, and many of these injustices are addressed in the Senate Foreign Relations Committee bill. Nevertheless, as you well know, the task of passing a foreign aid authorization bill is difficult. It may well be that this year — as in many recent years — the bill that this Subcommittee drafts will result in the only legislation dealing with foreign aid on any significant basis. Thus, we urge you and the Subcommittee to consider the concerns I have laid out today, and to take steps to limit AID's destructive policies.

— We urge you to be as generous as the difficult budget situation allows in funding all of the humanitarian assistance accounts this year, with population assistance at $260 million — the level authorized by the Senate Foreign Relations Committee.

— We urge you to once again include the language preventing AID from funding family planning projects that fail to give people information on all options available to them, the "informed consent" provision. We are pleased to report that supporters of family planning in both the House and Senate are working to include similar preventive language in the authorization legislation -- but until it actually becomes law, it is important that the appropriations language which has been in place these past two years enforcing informed consent remain in your bill.

-- We urge you to instruct AID to revert to its traditional -- and Congress' intended -- interpretation of the Helms Amendment, and to prevent the Administration from imposing on private voluntary organizations operating family planning services abroad restrictions that would be unlawful and medically and ethically unacceptable in this country. We do not seek to alter the Helms Amendment restrictions on the use of U.S. funds for abortion. But neither should private organizations be restricted in their lawful use of their private resources as a condition of obtaining U.S. Government funds. We ask you to end the Mexico City policy.

In 1985, the Senate Foreign Relations Committee reported out a bill, subsequently passed by the full Senate, which would have accomplished this purpose. In April of this year, the Senate Foreign Relations Committee once again approved such language.

This Subcommittee has been critically important in warding off even more dreadful attacks on population assistance during the past six years. We commend you for that, and we urge you to help roll back these harmful administrative policies and provide the financial and policy support that is crucial to the operation of overseas family planning programs that have medical integrity and are effective in meeting the goals of this country and the countries in which they operate.

Thank you, Mr. Chairman and members of the Committee.

Senator REID. Thank you very much.

The next witness will be Werner Fornos, President of The Population Institute.

Mr. Fornos?

THE POPULATION INSTITUTE

STATEMENT OF WERNER FORNOS, PRESIDENT, THE POPULATION INSTITUTE

Mr. FORNOS. Thank you, Senator Reid.

I am delighted to appear before the committee again, and hope that the statement that I have submitted be read into the record as presented.

Senator REID. It will be made part of the record.

Mr. FORNOS. I would like to summarize and some of it may be a little repetitious with Mrs. Wattleton, but I believe that discussions of the U.S. population assistance today are unfortunately obscured by events smokescreen of emotionalism, triggered by the buzzwords of abortion and coersion.

The real issue is not abortion or coersion, U.S. government funds have not been used for abortion services since 1973, and the issue cannot be one of whether or not China's family planning program is coersive, because no U.S. population funds go to the Chinese program.

Instead, the issue is using poor women in the third world as pawns in the highly divisible ideological struggle.

U.S. law mandates that the population assistance be used to improve poor health conditions and to come to grips with "uncontrolled population growth," because without this assistance otherwise successful development efforts would be vitiated.

The Congress has established a principle that voluntary population planning programs can make a substantial contribution to economic development, higher living standards, and improved health and nutrition. It is time for us to again pursue these bipartisan goals.

Those desiring to limit their number of children will require technological and financial assistance from the industrialized world, and there are over 400 million men and women today in the third world who have indicated their desire through various surveys that they want no more children and many of them didn't want their last pregnancy, but they lacked the education and the means to implement their very basic fundamental rights.

Also, I would hope that we would keep in mind that an unprecedented 3 billion people are going to enter their reproductive years during this coming generation. That is equal to the population of the whole world in 1960.

What I would like to do today in the very short time allotted to me is to touch on four essential areas that I believe are important for this committee to consider in marking up the foreign assistance appropriation for 1988:

(1) Adequate levels of funding,

(2) Restoration of funding for the United Nations Fund for Population Activities,

(3) The reversal of the Mexico City rule, and

(4) The maintainment of the DeConcini Amendment in the foreign assistance appropriations law.

First, on the budget, and I think we have all been strained quite a bit about the effort to balance the budget and to reduce our enormous deficit, I would hope that the effort to achieve a more balanced global population budget does not place United States' international humanitarian assistance on hold. It is a very great disservice to the next generation and I don't want anyone to say to us that when we are struggling for human survival at a time when the world was at five billion people climbing each year at an annual addition of 87 million people, that the United States sat in the bleachers of non-caring and watched the whole spectacle of human misery unfold around the world.

I think that the United States must find the means to increase its funding to a minimum debt authorized, but no less than $250 million for international population programs in 1988. Substantially more than $250 million is needed on the basis of the requests that are pending at the various international agencies and the governments that are now asking the United States for help.

This is not an effort on our part, exporting population assistance, but it is a request for help from the third world.

I think we also need, that when we look at the $250 million, to resist any raids on the population accounts. Several of those raids are now being suggested, all for very worthwhile causes, but I think we need to make the necessary protective language available in the law that makes sure that these raids on the population accounts do not constitute a new cookie jar for the Agency for International Development to dip into for things that they don't have funds normally made available for.

There have been suggestions, for instance, for a fund transfer of $450 million for use in the SubSaharan Africa account, $75 million of that program is to be transferred from the population account. The Population Institute would have no problem with that entire $75 million, if it were used for population assistance in Africa. Even more, we would be delighted with an earmark for population assistance in that account in view of the fact that the Agency for International Development claims that it is spending now $80 million annually at least in 1986 on population assistance in Africa, though, we seriously challenge that figure.

I think that we have to also be very careful that again trying to solve a horrendous world health problem that we don't use the limited amount of funds that are available in population for purposes of solving the dastardly epidemic of AIDS. As you know, in the current request, a $30 million emergency fund is established for AIDS programs, but the kicker on the end of it is the authorization to the administration to take as much as it wants to out of the population account, if it finds it needs the entire account even, pray tell, that they could wipe out population assistance, a much more humane means of solving our population problems than an epidemic likened disease.

I would like to talk a little bit about UNFPA, because I believe that United States withdrawal of support from the United Nations Fund for Population Activities is sending the wrong message to the world.

The Fund has effectively worked with 140 governments in helping to establish family planning programs. It has been cited by the Reagan Administration as having done an outstanding job in its cooperation with the U.S. government, and in the implementation of its programs.

No less than such personalities as U.S. Ambassadors to the United Nations, Jeane Kirkpatrick and Vernon Walters, have praised the outstanding performance, the efficiency and cooperation ot the U.N. Fund with the United States. Without casting any shadow on the memory of my friend, the late Raphael Salas and the leadership of Mufiz A-Dek promises even further improvement in the performance of this United Nations agency.

It is beyond comprehension to me that the U.S. would cease funding UNFPA because of the funds internationally mandated support of the Chinese population program. At the U.S.'s request, no U.S. funds are being used for Chinese programs. They have been segregated. They have been audited. Not only do U.S. missions to the United Nations, the State Department and AID have, without very much notice, reviewed those accounts and have found that no U.S. anywhere, commingled or moved into the Chinese program.

Thus, withdrawing U.S. funds from UNFPA does not punish China, it punishes instead the family planning programs of Asia, Africa and Latin America.

The Senate Foreign Relations Committee has addressed the UNFPA funding and has adopted an amendment by Senator Evans that protects our countries legitimate human rights concerns while allowing renewal of funding.

I hope this committee could see its way clear to incorporate the Evans Amendment and associated report language in its continuing appropriation for foreign aid, which ever vehicle we finally succeed in getting through, whether it is an aid bill or a continuing midnight game.

Mexico City Policy, the administration's policy as announced in Mexico City should be rescinded. To accomplish this, we strongly support the language of the Kassebaum Amendment that has also been favorably reported by the Senate Foreign Relations Committee.

The Kassebaum Amendment protects non-govermental and multilateral organizations from being subjected to more restrictive requirements than those imposed on foreign governments for purposes of establishing eligibility for U.S. population assistance.

The committee report observed rightfully that while Congress has prohibited the use of foreign aid funds for abortion as a method of family planning and for biomedical research related to abortion, it has not attempted to legislate how privately raised funds may be used by non-governmental entities. The Kassebaum Amendment would correct this situation.

Finally, the DeConcini Amendment, all non-governmental organizations supported by U.S. funding should guarantee that they will describe the participants, the effectiveness and risk of all major methods of family planning and will either make available to the services or information or referral to appropriate agencies that do provide all medically approved methods of contraception.

What we are talking about is really the ultimate democratic solution, Senator, informed people making informed choices, the right of a woman to be able to determine the number of children and the spacing of those children is a fundamental basic human right, and I think this committee should do everything possible to prevent this continued charade of hiding ourselves behind the cloak ot abortion and seeking an ideological victory in this country on the backs of poor women throughout the third world.

Thank you.

[The prepared statement of Mr. Fornos follows:]

TESTIMONY OF WERNER FORNOS
PRESIDENT OF THE POPULATION INSTITUTE

Mr. Chairman, I am Werner Fornos, President of the Population Institute, and I appreciate the opportunity to appear before this committee during its consideration of the foreign assistance appropriation for Fiscal Year 1988.

The Population Institute, headquartered here in our nation's capital, is the largest citizens' organization in the United States seeking a more equitable balance between the world's population, its resources and its environment. Throughout the United States, there are more than 37,000 members of the Institute's Community Leaders Program; more than one-fourth of them reside in the states represented by members of this subcommittee.

The Population Institute does not seek U.S. government funds. More than 90 percent of our revenues are contributed by some 30,000 private individuals and approximately 50 foundations; grants from international sources account for our remaining funds.

Mr. Chairman, the world's population today exceeds five billion. One billion have been added in the last 13 years and another billion are expected within the next 12. There are those who argue that our planet can absorb many times its present population. That contention might possibly be valid only if our increasing human numbers could be selectively distributed. However, virtually all current global population growth occurs in the poorer countries of the world --- those scarcely able to provide food, shelter, employment and basic services for the people they have now. Rapid population growth in the developing world has devastating implications for the environment and resource base of entire regions.

Hundreds of millions of couples now recognize they must limit their family size if they are to have reasonable expectations of providing their children with an improved quality of life. In most developing countries, fertility is declining. At the same time, nearly 400 million men and women want to plan the size and spacing of their families but cannot because they lack the knowledge or means to control their own fertility. Meanwhile, an unprecedented three billion people --- the equivalent of the entire population of the world in 1960 --- will enter their reproductive years in the next generation. If a substantial number of these new potential parents are also denied access to family planning --- a very real possibility --- the social, environmental and political consequences for the world would be horrendous.

During the past two decades the United States was in the forefront, both as a government and through private agencies, in providing family planning knowledge and programs to the developing world. It is both ironic and unconscionable that at a time when most of the world regards family planning as a basic human right, the United States is withdrawing its financial and political support from such activities. It is outrageous that organizations and individuals that for years have dedicated their energies to helping countries overseas understand the need for family planning should now have to devote so much time to obtaining our own government's support for these activities rather than working with our government toward meeting the need for population assistance.

As both a matter of humanitarian obligation and sound foreign policy, the United States must resume its leadership role in the promotion of family planning through international organizations and agencies as well as through bilateral programs. To achieve this goal, the Population Institute recommends that the United States Congress adopt the following funding levels and principles to govern our international population assistance programs:

1. Funding Levels: Because of the unprecedented international demand for family planning services, the U.S. government should make no less than $250 million available for international family planning programs in FY 1988. This would represent a modest increase over the $235 million provided in Fiscal Years 1985 and 1986, but still be $40 million below the funding levels of three years ago. Unfortunately, the world's swelling numbers cannot wait for the U.S. to obtain its objective of a more balanced budget. Postponing the availability of desired family planning services to couples in the developing countries results in unnecessary and tragic deaths of both children and mothers. Further, a loss in momentum in reducing population growth rates will undercut the effectiveness of all other development activities, and greatly increase the likelihood of recurrent human disasters of the magnitude of the recent famine in Africa.

2. Africa: The famine in Africa is a chilling example of how close that continent is to demographic disaster. With the most rapid national population growth rates ever recorded, most sub-Saharan countries have also suffered from a decade or more of declining per capita income and food production. Congress should require that of all development assistance resources made available to that region, whether provided in a separate fund or through the various functional accounts, no less than 15 percent should be dedicated to family planning programs.

3. United Nations Fund for Population Activities (UNFPA): Historically, the United States has played a leadership role in

calling international attention to the population issue. It is unconscionable that this country has now withdrawn its support from the leading provider of family planning assistance to the poor countries of the world, UNFPA. The Fund has effectively worked with 140 governments throughout the world in helping to establish family planning programs, and has been cited by the administration as having an outstanding record of cooperation with the U.S. government. It is beyond comprehension that the U.S. would cease funding UNFPA because of the Fund's support of the controversial Chinese family planning program in that, by prior arrangement, U.S. funds could not be used in the Chinese program. Thus, withdrawing U.S. funds from UNFPA does not punish China, it punishes family planning programs in Africa, Latin America and Asia that were receiving U.S. funds contributed to UNFPA. Congress should reinstate the requirement that no less than 16 percent of all funds made available for population activities should again be channeled through the UNFPA.

4. Non-governmental Organizations (NGOs): NGOs, which the U.S. government should continue to support, have provided flexible, effective family planning programs throughout the world. Furthermore, the U.S. government should not impose requirements on NGOs overseas which it would not or could not impose on similar organizations in this country. In particular, Congress should require the restoration of funding for the International Planned Parenthood Federation, the largest non-governmental provider of family planning services for Third World countries.

5. Cultural Sensitivity: The U.S. should continue to insist that the programs it funds are strictly voluntary on the part of their participants. The government should not, however, attempt to design a detailed set of universal criteria for programs in many countries with cultural and social condi-

tions which are often radically different from each other and from those in the United States.

6. Human Rights: The U.S. government should be guided by the principle, agreed upon by all governments that participated in the 1984 International Conference on Population, that all couples and individuals should be able to "exercise their basic human right to decide freely, responsibly and without coercion, the number and spacing of their children and to have the information, education and means to do so."

7. Contraceptive Options: All NGOs supported by AID funding should guarantee that they will describe to participants the effectiveness and risks of all major methods of family planning and will either make available all such methods or refer participants to other agencies that offer other methods.

8. Biomedical Research: Private sector research in the United States on new contraceptive technologies has sharply declined because of economic factors and liability exposure. Therefore, the U.S. government should increase funding biomedical research through international and domestic health and family planning programs. Such research should be aimed at developing a wider range of safe and effective methods of contraception from which to choose.

It would be difficult to place an order of priorities on the points I have outlined. However, the global population problem will not be solved in a vacuum, nor will it be solved by countries and organizations charging off in different directions. The U.S. government must resume the strong working relationship it has always had with UNFPA as well as with non-governmental organizations. The Senate Committee on Foreign Relations recently offered two highly worthwhile amendments to the Foreign Assistance Act of 1961 that would help bring this about. I would urge members of this panel to concur with both and make them a part of the appropriations bill reported out of this committee.

The Kassebaum amendment protects nongovernmental and multilateral organizations from being subjected to more restrictive requirements than those imposed on foreign governments for purposes of establishing eligibility for U.S. population assistance under Section 104(b) of the Foreign Assistance Act. In its report, the Foreign Relations Committee stressed that the intention of this provision is to invalidate the revised U.S. policy announced at the International Conference on Population in Mexico City in 1984. The Committee report observes that, while Congress has prohibited the use of foreign aid funds for abortion as a method of family planning and for biomedical research related to abortion, it has not attempted to legislate how privately raised funds may be used by a nongovernmental entity. In the words of the Committee report: "The so-called Mexico City policy announced by the administration in 1984 simply went beyond any requirement of law." The Kassebaum amendment would correct that situation.

The Evans Amendment would prohibit foreign assistance funds from being provided to any organization "which directly participates in coercive abortion or involuntary sterilization." The Foreign Relations Committee noted that when the Agency for International Development reviewed UNFPA in 1985 it determined that the organization neither funds abortions nor supports coercive family planning practices of any kind. "The decision to withhold U.S. funds from UNFPA is unconscionable and unjustified," the report concluded. "The committee, in adopting this provision, intends that by clarifying congressional intent the U.S. contribution to UNFPA will be resumed in fiscal year 1988."

Last but not least, I would like to stress two points with regard to U.S. population assistance that are particularly close to my heart. First, whether you view U.S. population assistance as essential to slowing down rapid global population growth, or whether you support it solely to ensure the extension of reproductive freedom as a basic human right, you must agree that family planning is the intrinsic entity of our population support to the developing world. It is high time for Congress to spell out its intention of retaining this status for family planning by mandating that at least 75 percent of U.S. population assistance be spent on modern, effective family planning. Moreover, the priority recipients for U.S. bilateral assistance should be those countries with the largest population growth that have demonstrated a willingness to alleviate their population problems.

And, finally, there must be greater coordination among those agencies that receive U.S. assistance to provide humanitarian services for developing countries to ensure that family planning opportunities are given thorough consideration and, where applicable, become integrated into the program.

Rapid global population growth can only be reversed as a result of strong global commitment. Essential to that commitment is a concerted effort involving governments, multilateral agencies and the private sector working together. The Population Institute believes that, while the massive campaign that is so necessary will require substantially more funding than is currently available, mutual confidence and coordination will pave the way to solutions that even money cannot buy.

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Senator REID. Thank you very much for your testimony.

The next witness will be Steven Mosher, Director of Asian Studies Center, The Claremont Institute.

Mr. Mosher.

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STATEMENT OF STEVEN W. MOSHER, DIRECTOR, ASIAN STUDIES CENTER, THE CLAREMONT INSTITUTE

CHINA'S POPULATION CONTROL PROGRAM

Mr. MOSHER. Thank you, Senator Reid, for the opportunity to testify before the committee today on the issue of China's population control program.

I am submitting a statement for the record. With your permission, I would like to summarize that statement in the few minutes I have allotted to me.

Senator REID. Your statement will be made part of the record. Your summarization will be appreciated.

Mr. MOSHER. Thank you, Senator.

First of all, I have to begin by saying that I couldn't agree more with the gentleman who just testified with the right of couples and women to determine for themselves the number and spacing of their children.

It is, of course, precisely that right that is being denied women in China today by a government which, according to a State plan for births, virtually allots children to women throughout the country, reaching into, not only the most intimate affairs of the family that is decisions on when and how many children to have, but also you might say reaching into the womb of tens of millions of Chinese women themselves, because the Chinese policy, as stated in their technical policy on birth control, is the following—This is a policy that was announced in a central committee directive of the Chinese Communist Party in 1983. It is still in effect today, and its principle content is:

Those women who have already given birth to one child must be fitted with IUDs, couples who already have two children must undergo sterilization of either the husband or the wife, and women pregnant outside of the plan must adopt remedial measures as soon as possible. Remedial measures is generally agreed to be a euphuism for abortion.

A lot of attention in the United States has been focused on what the Chinese call the policy of childbirth. By that they mean whether or not a couple is allowed to have one child or two children. I submit to you that the primary cause of coercion in China is technical policy of birth control which mandates IUD insertion after one child, mandates sterilization after two, and virtually mandates abortion for women who are pregnant outside the plan. That policy has not changed.

It is true that although since the early 1980's, in the cities, couples have been limited to one child, in the countryside that policy has gone through various changes. It was from the beginning, never the policy of the Chinese Communist Party to strictly limit all rural couples to one child, there were exemptions from the very beginning.

Rather, rural officials were told that they should strongly advocate couples to adopt the one child policy. In recent years, they have been allowing more exemptions as a way of solving the horrendous problem of female infanticide. Couples putting young daughters to death at birth because they realize they are limited to one child and hope to have, by that horrendous means, a chance to have a second child and hope in addition that that second child would be a boy.

To quote the policy of forced IUD insertion, forced sterilization and forced abortion, in context in China, I would like to tell you a summarized interview that I conducted 7 weeks ago, when I was in China. I will tell you that this is only one of many interviews I conducted, and is, by no means, unrepresentative of the several dozen I conducted during that time in China.

I do speak Chinese. I was able to talk directly to the people, without the necessity to go through official channels.

I interviewed a man whose wife wasn't satisfied with the one child she was allowed under the State's birth quota system. Her one child was 7, about to enter kindergarten, so she went and had her IUD illegally removed. I used the word illegally advisably because, in China, if the State has inserted an IUD, it is illegal to remove it and there are fines and other penalties for doing so.

To her and her husband's great happiness, she became pregnant. She managed to conceal her pregnancy until about the 4½-month point of the pregnancy. She was then discovered by local population control workers at her husband's factory to be pregnant.

She and her husband decided that she would do something called "childbirth on the run," and that means that she would leave her native village and she would go to live with relatives elsewhere, avoiding the pressure that she knew would come on her to submit to an abortion.

Unfortunately for her, the factory director, who was operating under a strict quota for births that year, sent agents to seek her out. They didn't find her until about the seventh month of pregnancy.

At that point, she was discovered. She was brought back to the factory. She was not allowed to go home, the factory director said, "I am afraid you will escape again." She was confined in a factory dormitory under 24-hour watch.

There was a group of population control workers with her every minute of the day and night. Their constant message was: You must submit to an abortion.

Eventually, she did without having been allowed to see or discuss the matter with her husband, and received an abortion 4 weeks before she would have come to term.

Another woman I interviewed, some women did, use childbirth on the run successfully.

Senator REID. How long before she came to term?

Mr. MOSHER. Four weeks. She was 8 months pregnant, Senator.

In short, she was carrying a viable unborn child, but had it been born prematurely, would probably have survived.

Another case, just to mention a case of sterilization, briefly. Like the first case, this case involved a woman who engaged in childbirth on the run.

She, however, unlike the first woman, was successful. She carried her child to term. She secretly had the baby in the house of a relative. She came back to her native village with a babe in arms about 1 week old.

The local official was furious at her breaking the quota system. They levied a fine on her of $500. That doesn't sound like a great deal of money, but it happens to be 2-years family income for them, and their monthly income was slashed from $30 to $9, his various bonuses, cost of living allowance, expense account were all cut off.

The man told me that if he did not have help from relatives, did not have the expectation of help from relatives from Hong Kong, that the family would literally starve to death. Nine dollars was not enough to buy food.

There is a final note to that story. Since this individual, this woman, having born a second child was now required to undergo sterilization. She was ordered to do so. She refused. She was warned several times. She still refused to undergo sterilization, which is required under the Chinese policy.

After several days of warnings, a police van pulled up to the house one day. She was taken directly to the hospital, an given a tubal ligation, without her consent.

On the day I interviewed her husband, she was still in the hospital recovering from this unwanted operation.

This is what I mean, Senator, when I say the State is reaching into the wombs of tens of millions of Chinese women, to determine when they conceive a child and, indeed, if they will be able to conceive children or not.

Peking is continuing a population control program, which despite its advertised voluntarism, relies heavily on coercive abortion and coercive steriliation, and the threat of same.

The United Nations Fund for Population Activities, for its part, continues to support this program in word and deed. For example, the United Nations Fund for Population representative in Peking, 2 weeks ago, on July 13, held a press conference at which he praised the Chinese program, by saying that China was setting up a model of how social and economic factors can be harnessed in a harmonious way, and the government has shown its full commitment to a family planning program that has been internationally acknowledged, as one of the most successful efforts in the world today.

Such comments call into serious doubt whether the UNFPA is capable of distinguishing between legitimate family planning on the one hand, as defined by its charter, and coercive population control on the other.

It is not consonant with America's commitment to human rights to support, directly or indirectly, a Chinese program that not only violates the right of couples to decide for themselves the number and spacing of their children, but also the right of women to control their own bodies.

To resume AID funding to the UNFPA at a time when that organization has not shown the slightest inclination to distance itself from the coercive abortion and sterilization practices of what is one of its largest grant recipient nations would be a mistake.

It would send a message to the world that America cares little about the violations of human rights in population control programs.

I would like to add to that, Senator, that the funding that would be allocated to UNFPA, if the law is changed and unless the law is changed, UNFPA again, as was the case last year, will not receive these funds, but if the law is not changed and the UNFPA does not receive these funds, the Agency for International Development will redirect the funds to programs in Africa, Latin America, and Asia.

So, the money will be spent on family planning.

Senator REID. Will this chart be made part of your testimony?

Mr. MOSHER. Yes, it will, Senator.

[The prepared statement and chart of Mr. Mosher follows:]

STATEMENT ON CHINA'S POPULATION CONTROL PROGRAM

STEVEN W. MOSHER

DIRECTOR, ASIAN STUDIES CENTER

THE CLAREMONT INSTITUTE

China's basic policy on birth control has remained unchanged since 1983: A women must have an intrauterine device inserted following the birth of her first child, a couple must have one of their number sterilized following the birth of their second child, and a woman who is pregnant without official permission must undergo an abortion.

During this same time period, the policy on childbirth has been modified. While officials and workers are still strictly limited to one child, beginning in late 1984 exceptions for peasants facing "real difficulties" was allowed. If their first child is a girl, couples are generally allowed to have a second -- on condition that at least four years have elapsed since the first and that they will voluntarily submit to sterilization following the birth.

This exception, liberally interpreted by local officials in the countryside, has resulted in a modest rise in the birth rate. An official crackdown on second births is now underway.

The Chinese population control program remains painfully coercive. Both urban and rural women with one child are required to have IUDs inserted, the removal of which is a crime. (FBIS-CHI-87-133, July 13, 1987, p. Q1) Both urban and rural women who bring a second child to term continue to be sterilized, sometimes involuntarily. Both rural and urban women pregnant with second children for which they have not been given exemptions are pressured to get abortions, and sometimes force is used.

Unapproved births do occur, mainly by a means called "childbirth on the run." Women who are pregnant with "illegal" children go to live with relatives in distant villages or towns. Away from their native place, they are often able to escape detection by the local authorities. Only after they have actually given birth do they dare return home. This is because abortions are performed in China up to the very time of parturition. As the child descends headfirst in the birth canal, it is given an injection of formaldehyde or alcohol into the fontanel, or soft spot, causing instantaneous death.

Couples who succeed in bringing such "illegal" children into the world are subject to heavy fines. Typically, a family will have to pay a fine equivalent to a year's income, and face monthly penalties as well, for having a second child without permission. Such fines are intended to deter, not merely dissuade, young couples from having children outside the plan.

In sum, Peking is continuing a population control program which, despite its claims of "voluntarism," relies heavily on coercive abortion and coercive sterilization. The United Nations Fund for Population Activities, for its part, continues to support this program in word and deed.

It is not consonant with America's commitment to human rights to support, directly or indirectly, a Chinese program that not only violates the right of couples to decide for themselves the number and spacing of their children, but also the right of women to control their own bodies. To resume AID funding to the UNFPA at a time when that organization has shown not the slightest inclination to distance itself from the coercive abortion and sterilization practices of one of its largest grant recipients would be a mistake. It will send the message to the world that America cares little about violations of human rights in population control programs.

China's basic population control policy, what it calls its "technical policy of birth control," was promulgated in 1983 and is still in effect today. It is contained in a directive of the Central Committee of the Chinese Communist Party, whose pronouncements have the force of law in China. Its principal content is: "Those women who have already given birth to one child must be fitted with IUDs, couples who already have two children must undergo sterilization of either the husband or the wife, and women pregnant outside of the plan must adopt remedial measures [i.e., abortion] as soon as possible." (NANFANG RIBAU, May 15, 1983, p. 3)

This directive, the operant passages of which have appeared repeatedly in the Chinese press, makes a bow in the direction of "voluntarism," by which is meant that the formal consent of the person involved must be obtained prior to any operation. But the directive is written in the imperative, and is in fact a prescription for mandatory IUD insertion, for mandatory sterilization and, when the policy on childbirth is violated, for mandatory abortion.

What is called "the policy on childbirth" is in reality two policies, one for officials and workers, and one for peasants. Like the policy on birth control, the policy on childbirth for officials and workers, who comprise perhaps 20 percent of the population, has remained unchanged for the past five years. It reads: "All state cadres, workers and employees, and urban residents, except for special cases which must be approved, may have only one child per couple." (NANFANG RIBAU, May 15, 1983, p. 3; for a recent restatement of the same policy by Henan party leader Yang Xizong see FOREIGN BROADCAST INFORMATION SERVICE (FBIS), CHI-87-133, July 13, 1987, p. P4.) In the cities, second children are simply not allowed, and tremendous pressures (about which more below) are brought on pregnant women to submit to "remedial measures."

The rural policy on childbirth has, from the beginning, been less strict than this. Instead of being strictly enforced, the one-child policy is merely to be "vigorously advocated." In practice, however, the "vigorous advocacy" of undereducated, overzealous rural officials often resulted in forced abortions and sterilizations.

To combat growing rural discontent a major exception to the policy of promoting one child in the countryside was made in 1984. Couples facing "real difficulties," it was announced, could apply for permission to have a second child. The "real difficulties" in question were never spelled out clearly in documents, perhaps because the Central Committee recoiled at putting a clearly sexist policy in writing, but were widely understood to be those caused by the birth of a girl, namely, that she could neither carry on the family name nor support her peasant parents in their old age. (See, for example, FBIS-CHI-87-133, July 13, 1987, p. P4)

It was stressed that that exemptions to the one-child rule were not to be made indiscriminately to all rural couples with first-born girls. The quotas on births handed down to each province were to be respected, and second-child exemptions were to be contingent upon a wait of four to even years after the first child. The "technical policy on birth control" was also not to be violated, so that the prior agreement of the couple, usually the woman, to accept sterilization following the birth of their second child was required. Women who met these conditions would, at the appropriate time, be allowed to have their IUDs removed. (Personal Communication)

This policy put local officials in the difficult position of having to grant second-child exemptions to some but denying others. Although perfectly ready to impose uniform rules concerning the spacing of births and the timing of sterilization, some refused to interpret a deliberately ambiguous Central Committee policy in the expected manner. Rather, they chose to consider that all of the one-child couples in their communities had "real difficulties" and licensed them to conceive and bear a second child. As a result the 1986 birth rate is the highest in four years, although at 1.4 percent it remains extremely low by the standards of the Third World. Recent remarks by government officials indicate that the number of exemptions to the one-child policy allowed in the countryside will be reduced. (FBIS-CHI-87-135, July 15, 1987, p. T1; FBIS-CHI-87-133, July 13, 1987, p. P4) This will necessarily mean an increase in the level of coercion as peasants attempt to bear second children without permission.

Overall, the key to understanding the degree of coercion in China is not the "policy on childbirth," but in the technical policy on population control." Both urban and rural women with one child are required to have IUDs inserted, the removal of which is a crime. (FBIS-CHI-87-133, July 13, 1987, p. Q1) Both urban and rural women who bring a second child to term continue to be sterilized, sometimes involuntarily. Both urban and rural women pregnant with second children for which they have not been given exemptions are pressured to get abortions, and sometimes force is used. Even if the one-child policy were abandoned tomorrow in favor of a "two-child," policy, the program would remain painfully coercive as IUDs insertions, sterilizations, and abortions continued.

Unapproved births do occur, mainly by a means called "childbirth on the run." Women who are pregnant with "illegal" children go to live with relatives in distant villages or towns. Away from their native place, they are often able to escape detection by the local authorities. Only after they have actually given birth do they dare return home. This is because abortions are performed in China up to the very time of parturition. As the child descends headfirst in the birth canal, it is given an injection of formaldehyde or alcohol into the fontanel, or soft spot, causing instantaneous death.

Couples who succeed in bringing such "illegal" children into the world are subject to heavy fines. Typically, a family will have to pay a fine equivalent to a year's income, and face monthly penalties as well, for having a second child without permission. Such fines are intended to deter, not merely dissuade, young couples from having children outside the plan.

In Guangdong, women who refuse the operations they are ordered to undergo are arrested and taken in police vans directly to clinics. These vans have become popularly known as "pig basket" vans, after the large wicker baskets in which pigs are taken to the slaughterhouse.

* * *

To bring together these disparate parts of China's population control program into a coherent whole and illustrate how the program actually functions, I have chosen one of the numerous interviews I conducted while in China in later May of this year. The case of the Wangs, a young couple living in Zhuhai, China, follows:

Like most women in rural China, Chen Suxiang wasn't content with the one child she was allowed under the state's birth quota system. With her husband, a truck driver, on the road much of the time, and her only child, a boy, set to enter primary school the following year, she wanted another baby.

Sitting in the living room of his modest house in Zhuhai, a Special Economic Zone in Guangdong Province designated for foreign investment, her husband recalled that he at first tried to dissuade her, pointing out the pressures they would be subjected to -- fines, meetings, and even heavier penalties. "As a permanent employee in a state factory, there are no exceptions allowed to the one-child quota," Chen said. "I told her I could be fired from my job, but she wouldn't listen."

Chen's wife found a midwife who, for a fee of $20, was willing to perform an illegal procedure: remove the steel IUD that had been inserted following the birth of her first child. After several months, in September 1986, she became pregnant.

By staying home most of the time, Suxiang was able to hide her pregnancy from the population control workers for several months.Her growing reclusiveness eventually made them suspicious, however, and they finally ordered her to go in for a pelvic examination.

Chen explained what that meant. "If they discovered that my wife was pregnant, they would order her to have an abortion." By this time, fully supportive of his wife's plan, he decided that she would go to live with a cousin in a neighboring county until she gave birth. Called "childbirth on the run," her response was a common last resort of couples under government pressure.Though his wife was safely out of reach, Chen was not, and was taken aback at the onslaught that followed. His superiors at the factory missed no opportunity to pressure him to end his wife's pregnancy. Each day the vice director of his factory sought him out and lectured him. Each evening he would be visited by a birth control delegation. And each week at political meetings he was singled out as a bad example to the rest of the workers, and even his friends felt obligated to criticize him in public. The message was always the same: "For the sake of the nation, the community, the factory, and the Four Modernizations, he and his wife must give in."

Chen, an angular-faced man with a shock of unruly black hair, refused to buckle under this pressure. She has left me, he protested, because I would not allow her to keep the child. I do not know her whereabouts. He was not believed, and the pressure continued.

The factory director, seeing that Chen could not be budged, resolved to find his absent wife by other means. He ordered the factory's dozen purchasing agents and sales representatives to make inquiries, promising a bonus to the one who located Chen's wife. It was one of their number who, discovering that Chen frequently detoured to the neighboring county on his runs, began making inquiries there. Chen's wife was found and brought back in February, seven months pregnant.

Afraid that she would escape again if she were allowed to go home, the factory director ordered the runaway confined to a factory dormitory, under the supervision of birth control workers, who missed no opportunity to badger her to accept an abortion. Separated from her husband, so distraught that she was unable to eat and sleep, she was no match for the "thought work committee" that was assigned to reeducate her into accepting an abortion. Going into the ninth month of pregnancy, she bowed to the pressure.

She was immediately taken to the local medical clinic and given an injection of an abortifacient drug. Her child was born dead 48 hours later. "They didn't even tell me she was in the clinic until they had already given her the shot," Chen said. She was four weeks from term.

Despite the stringent controls, however, there are still couples who manage to bring a second child to term, like Wang guohan and his wife, both of whom worked in a state-run retail store. The Wang's story begins like the Chen's. Like Mrs. Chen, Wang's wife paid a midwife to illegally remove her IUD and conceived a child. Again like Mrs. Chen, when she was discovered by the authorities she decided upon "childbirth on the run."

Here the similarity ends, however. Unlike Chen's wife, Mrs. Wang shuttled between the homes of several relatives, making it impossible for her unit to find her. A midwife helped with the birth, so she was able to avoid the fate that her "illegal" child would have met in the hospital. She returned home with a strong, healthy boy in her arms, and was of course allowed to keep him. Her "little treasure" did not come free of charge, however.

The party committee of the department store fined the Wang's 3,000 renminbi, or $500, and amount equivalent to TWO YEARS income. His monthly income was also slashed from $30 a month to $9, as his bonus, cost-of-living allowance, expense allowance, and overtime were cut off. They had family members in Hong Kong willing to help with the bills, Mr. Wang said, otherwise they would starve.

There is a final note to their story. Mrs. Wang, having borne a second child, was ordered to report to the hospital for sterilization. She refused. Several times she was warned. Still she refused. One day a police van pulled up in front of her house. She was taken against her will in this "pig basket" van to the hospital and given a tubal ligation. She was still in the hospital recovering from this unwanted operation on the day I interviewed her husband.

* * *

Peking is continuing a population control program which, despite its advertised "voluntarism," relies heavily on coercive abortion and coercive sterilization and the threat of same. The United Nations Fund for Population Acitivites, for its part, continues to support this program in word and deed.

For example, the UNFPA representative in Peking recently praised China's program. "China is actively working to set up a model of how social and economic factors can be harnessed in a harmonious way," he was quoted as saying. "The government has shown its full commitment to a family planning program that has been internationally acknowledge as one of the most successful efforts in the world today." (Peking, New China News Agency, July 11, 1987, FBIS-CHI-87-133, July 13, 1987, p. A1) Such comments call into serious doubt whether the UNFPA is capable of distinguishing between legitimate family planning, as defined by its charter, and coercive population control.

It is not consonant with America's commitment to human rights to support, directly or indirectly, a Chinese program that not only violates the right of couples to decide for themselves the number and spacing of their children, but also the right of women to control their own bodies. To resume AID funding to the UNFPA at a time when that organization has not shown the slightest intention to distance itself from the coercive abortion and sterilization practices of what is one of its largest grant recipents would be a mistake. It would send the message to the world that America care little about violations of human rights in population control programs.

AGENCY FOR INTERNATIONAL DEVELOPMENT

Allocation of UNFPA Fallout Funds - FY 1986

Region	Project No. and Title	Amount ($000)
AFRICA		
Somalia	0131 Family Health Services	2,772
ASIA/NEAR EAST		
Morocco	0171 Family Planning Support	1,000
ANE Regional	0001 PVO Co-financing	400
	0048 Regional Population Activities	389
LATIN AMERICA/CARIBBEAN		
Dom. Republic	0229 Family Planning Services	1,095
Ecuador	0026 Population/Family Planning	187
El Salvador	0275 Salvadoran Demographic Assoc.	2,000
Guatemala	0288 Expansion of Family Planning	100
Haiti	0189 Population for Development	300
LAC Regional	0616 Intercountry Technology Transfer	800
CENTRAL		
	0955 Family Planning Inter'l Assist.	950
	3004 Populaton Communications Service	2,000
	3017 Awareness of Population Impact on Development II	200
	3018 Contraceptive Procurement	1,000
	3023 Demographic and Family Health Surveys	1,300
	3027 Integrated Population Dev. Planning	600
	3028 Contraceptive Social Marketing	1,500
	3030 Strategies for Improving Service Delivery	680
	3031 FP Training for Paramedic and Auxiliary Personnel	800
	3035 Population Policy Initiatives	683
	3038 FP Logistics Management	550
	3039 FP Management Training	465
	3040 Natural Family Planning	1,100
	3043 Expansion/Improvement of Family Planning Services	2,000
	3044 Contraceptive Research and Development	1,250
	3045 Training in Reproductive Health	879
	TOTAL	25,000

AID/S&T/POP:2/27/87

Senator REID. Thank you very much.

Mr. MOSHER. Thank you.

Senator REID. The next witness will be James C. Orr, the Executive Director of the Bretton Woods Committee Executive Committee.

Welcome here to the committee. You have 10 minutes to give your testimony.

BRETTON WOODS COMMITTEE

STATEMENT OF JAMES C. ORR, EXECUTIVE DIRECTOR, BRETTON WOODS COMMITTEE EXECUTIVE COMMITTEE

Mr. ORR. I appreciate the opportunity to be here before the committee today.

I am James Orr. I am a business consultant on international trade and finance issues, and I am a member of a group called the Bretton Woods Committee and its part-time executive director.

The Bretton Woods Committee was created in 1985 in an attempt to widen and deepen public understanding of the World Bank, the IMF and the regional development banks, and to play a constructive and supportive role for them in the private sector.

The Committee represents over 300 private citizens in business, financial leaders, leaders of non-profit organizations, and former government officials.

It is a bipartisan, non-profit organization dedicated to public education and is supported by contributions from individuals, corporations and foundations.

I hasten to add that the committee is not a mindless cheerleader for the interests of the World Bank or the other international financial institutions. We hope that we are informed critics, sometimes supportive, often critical.

An important focus of recent activity of the committee has been the research and publication of a booklet called IDA and the U.S. Interest.

I have copies here today for the committee and for members of the audience.

This is the first real look in recent years at soft-loan facility of the World Bank and how well it performs, and how well it serves U.S. interest. It concludes that U.S. interests in IDA are strong and that they are both compelling and growing interests.

The economic vitality of developing countries is of critical importance to the United States. The world has seen many wars since the close of World War II, with a great many fatalities.

It is no coincidence that most of those wars have been fought in the third world. To frequently, our country has been drawn in, resulting in scores of thousands of American casualties and billions of dollars in military expenditures and reconstruction finance.

Impoverished people with no stake in the economic system have little hope of a brighter future. They provide dangerously furtile ground in which seeds of tension and radicalism can sprout and flourish. Throughout history, there has been a strong correlation between economic hardship and political instability. Increasing economic prosperity in developing countries does not in itself guarantee political stability, but is an essential element of it.

As John Sewell and Christine Contee pointed out in their recent article in Foreign Affairs, the development process has slowed greatly since 1980. The growing debt burden, low prices for primary commodities and declining world trade flows have devastated many third world economies.

The cost of this has been severe for the United States as well. More than half of the decline in U.S. exports from 1980 to 1985 resulted in a decrease in purchases from developing countries. It is estimated that 1.7 million U.S. jobs were lost due to recession in the third world, an amount equal to 19 percent of official U.S. unemployment in 1985.

The chief function of the multilateral banks is to bring developing countries into the mainstream of the system, and to nurture them until they have achieved a decree of self-sufficiency. The World Bank and the regional banks have had marked successes in this regard, particularly in East Africa and in Latin America.

Elsewhere, notably in Africa and many countries, have yet to enter the mainstream. The same lack of basic infrastructure, which has frustrated efforts to distribute food to the hungry in Ethiopia and Sudan and elsewhere, have slowed the development of that region and limited the potential market for U.S. goods. Bringing these countries into the system remains the most important task facing the development institutions and should be of great importance to all of us.

The World Bank and the regional development banks have a history of marked success. A study done by the Treasury Department found that most projects financed by the World Bank have rates of return exceeding 20 percent.

Until recently development theory failed to take account of the importance of the development process of a healthy private sector and free operation of market forces. Now it is increasingly understood that success in reaching a self-sufficient stage of development is more likely in economies with health private sectors.

As a result of this undertaking, the World Bank and the other development banks are increasingly requiring policy changes on borrowing countries to ensure that they adopt policies conducive to growth.

In my formal statement, there are a long series of examples of those.

The World Bank and the other regional banks have learned a lot ot lessons from their mistakes, and it is important to recognize those. Some general rules have developed over the years, some of those rules are these:

Good projects are likely to falter against a backdrop of bad economic policy. Thus, the multilateral banks are concentrating more on promoting sound policies in developing countries.

Good resource management is sound economics. The World Bank in particular is elevating environmental protection from a peripheral concern to a cornerstone of its planning and development activities.

Cookie-cutter projects do not work. What succeeds in one country or area may fail in another. Projects must be tailored to the locale.

The lowest cost supplier may not furnish the best equipment for a project. The multilateral banks have seen too many tractors rusting in the field for lack of a spare part. Now, they generally look to suppliers who can furnish the best quality goods over the appropriate life of the project.

Until recently, no other aspect of U.S. foreign policy has received more consistent congressional support on a bipartisan basis. President Reagan, in announcing his support for the World Bank at the 1985 Annual Bank Fund Meeting, joined an unbroken line of Presidents, since World War II, in support of these institutions.

From the outside, it appears as though congressional support for multilateral institutions is on the decline. Much of this presumably has its roots in the tight budget period that has dominated the legislative process since early this decade.

The multilateral development institutions are too frequently the last priority for funding in the budget process, despite the good efforts of some leading members of this committee.

There is truth in the axiom that there is little constituency for foreign aid. There is even fewer constituents for multilateral aid. In our view, too little work has been done to acquaint new members of Congress and their staffs, and their constituents about the facts of multilateral assistance and why it is in the U.S. interest.

The World Bank and the regional development banks cannot and should not be actively encouraging their own support. The Treasury Department has a wide range of issues for which it is responsible and can't give too much attention to this subject, and the State Department and White House typically put bilateral assistance ahead of multilateral assistance.

But, for a number of good reasons, the multilateral development institutions deserve continued support. They are cost effective, claiming only a small share of the U.S. foreign aid budget. Whether measured by rates of return or by number of countries that are graduated, they have a record of success.

Their resources reach the countries of most importance to us. Of the 56 countries eligible for IDA, for instance, all but eight have received at least some form of U.S. bilateral assistance.

In summary, Mr. Chairman, the multilateral development banks are a good investment in our own future. They are a critical part of our foreign assistance program. We feel they deserve to be accorded a higher priority by Congress.

One final comment, many observers are troubled by recent developments in the negotiations at one of the regional development banks, the InterAmerican Development Bank. As members of this committee know, the IDB has been singled out for harsh criticism by Administration negotiators.

The issue is the share of the vote accorded to the United States and the apparent ability of Latin borrowers of the IDB to force through loans to which the U.S. would object.

The United States has demanded a virtual veto over loans from the bank in return for support of a replenishment of the IDB's resources.

If I could offer a personal view, Mr. Chairman, I find this to be a sad development tor a number of reasons. The IDB is far from a perfect institution. It has its own character, which is quite different from the others, but it continues to be the most significant source of development finance for much of Latin America.

I appreciate the opportunity to address the committee.

[The prepared statement of Mr. Orr follows:]

PREPARED STATEMENT OF JAMES C. ORR

BRETTON WOODS COMMITTEE

I am James Orr. I am a business consultant on international trade and finance issues. I am here as a member and the part-time executive director of a group called the Bretton Woods Committee.

Background on the Bretton Woods Committee

The Bretton Woods Committee was created in 1985 in an attempt to widen and deepen public understanding of the World Bank, the IMF, and the regional development banks and to play a constructive and supportive role for them in the U.S. private sector. The Committee represents over three hundred U.S. business and financial executives, leaders of non-profit organizations and regional and former federal government officials who share a concern for the future of these institutions. It is a bipartisan, non-profit organization dedicated to public education and is supported by contributions from individuals, corporations and foundations.

I hasten to add that members of the Bretton Woods Committee are not mindless "cheerleaders" for these organizations and whatever they seek. We hope to be informed, sympathetic and sometimes critical supporters of the institutions. We hope to join with their leaders, and our government, including, of course, the relevant Committees of the Congress, in the constant search for ways and means of improving their effectiveness and ability to serve the interests of the United States as well as those of the other member countries.

Several underlying propositions have guided the work of the Bretton Woods Committee since its formation. They were first enunciated by former Secretaries Henry H. Fowler and C. Douglas Dillon in a statement in the House of Representatives in 1985. We hope they are self-evident to objective observers:

1. The international economy is undergoing some fundamental change. It is facing new problems that cannot be solved by any one nation alone. They require international economic cooperation of a high order, particularly between the industrialized democracies, reminiscent of that in the quarter century following World War II.

2. The approach that the United States takes at this juncture of history will be a significant determinant of the maintenance of sustained prosperity and vital U.S. political and security interests. They are inextricably intertwined.

3. The future prosperity of the United States and its partners in the Free World is increasingly tied to the reality and promise of economic progress with increasing political stability, personal freedom and opportunity in the less developed areas of the world. This reality and promise has been threatened in recent years by a series of economic and financial difficulties which have temporarily disrupted the progress in many of the less developed nations, particularly in Latin America and Africa.

4. The multilateral development banks and the IMF have demonstrated that properly directed and adequately supported, they can provide a prudent, cost-effective and policy-effective way for the developed countries to assist and encourage development in the less developed areas. This external assistance, appropriately conditioned, can contribute meaningfully to improving the economic

position of the people of these nations, with increasing individual freedom and opportunity. Of course, the major effort and resources in the development process must come from the people themselves in the developing nations. But the history of development in many nations in the post-war period has demonstrated that external assistance has an important role to play.

The U.S. and the Third World

The economic vitality of the developing countries is of critical importance to both United States security and economic interests. The world has seen many wars since the close of World War II with a great many fatalities. It is no coincidence that all have been fought in the Third World. Too frequently, our country has been drawn in, resulting in scores of thousands of American casualties and billions of dollars in military expenditures and reconstruction finance.

Impoverished people with no stake in the economic system and little hope of a brighter future, provide dangerously fertile ground in which seeds of tension and radicalism can sprout and flourish. Throughout history there has been a strong correlation between economic hardship and political instability. Increasing economic prosperity in developing countries does not in itself guarantee political stability, but it is an essential element of it.

The economic relationship of the United States to the Third World is very different today than it was fifteen or twenty years ago. The "interdependent nature" of the international economic system, a term coined in the late sixties, may have seemed like a pious cliche. Today it is an generally accepted axiom known to virtually every farmer, businessman and laborer in our country.

The economic well-being of the United States depends directly on developing countries: for their raw materials and products, and as markets for American agricultural and manufactured goods. A few facts help illustrate this point. The Third World is the United States' largest market. Until the onset of the debt crisis, it was also its fastest growing market. The output of one in every three acres of American farmland is exported and the output of one acre in five is exported to developing countries. Thirty percent of the profits of American companies comes directly from trade or foreign investment. U.S. exports mean one job in eight in the manufactured goods, and one job in thirty in the service sector.

As John Sewell and Christine Contee point out in their recent article in Foreign Affairs, the development process has slowed greatly since 1980. The growing debt burden, low prices for primary commodities and declining world trade flows have devastated many Third World economies.

The costs of this has been severe for the United States. More than half of the decline in U.S. exports from 1980-85 resulted from a decrease in purchases from developing countries. It is estimated that 1.7 million U.S. jobs were lost due to recession in the Third World -- an amount equal to 19 percent of official U.S. unemployment in 1985.

Role of the Multilateral Development Banks in the System

Autarkic government policies pursued to protect one country's interests at the expense of other leaves all members of the system in worse condition. This is the essential economic lesson of the interwar era. Out of a realization of this fact came an effort to find international solutions to common problems. The end result was the creation of the multilateral financial and trade institutions that govern the international system to this day.

These institutions cannot be examined in isolation from one another. Each has its specific role. The General Agreement of Tariffs and Trades (GATT) provides the framework through which countries work together to reduce barriers to trade barriers. The International Monetary Fund (IMF) provides countries with policy guidance and temporary balance of payments support to enable them to correct domestic economic problems. The World Bank and the regional development banks provide long-term loans for development projects designed to build a basic physical infrastructure.

These multilateral institutions have seen the world through a period of growth and prosperity unprecedented in history. They provide the basic framework on which all international commercial transactions are built. They are the required international complement to such national institutions as the Export-Import Bank (which provides financing for exports when commercial lenders will not) and the Overseas Private Investment Corporation (which ensures foreign investors against expropriation and exchange inconvertibility).

Together these institutions comprise the essential building blocks in the arch that supports the international economic system. Without any one of these organizations, or something similar to take its place, the current international commercial structure could not be supported.

The role of the World Bank, or the International Bank for Reconstruction and Development (IBRD) to use its formal name, is to provide resources where private capital cannot. Today it provides expert, impartial advice, and resources for carefully planned and supervised investments to more than forty of the more creditworthy countries in the Third World. On the basis of donor country guarantees and its own triple A credit rating, it borrows and relends close to $15 billion per year. It is a profitable institution. In recent years, the Bank earned an average of $650 million per year for the 148 member countries which are its stockholders.

For countries not sufficiently creditworthy to rely on market terms, the World Bank maintains a program of "soft loans," which are financed through direct donor country contributions. The International Development Institution (IDA) lends to the fifty of the poorest nations of the world at concessional rates. Average incomes of recipients of IDA credits is less than a dollar a day per person. IDA currently lends about $1-1/2 billion per year. The regional development banks: the Asian Development Bank, the Inter-American Development Bank and the African Development Bank maintain similar programs of hard and soft loans.

The chief function of the multilateral banks is to help bring developing countries into the mainstream of the system, and to nurture them until they reach a degree of self-sufficiency. The World Bank and the regional banks have had marked successes in this regard, particularly in East Asia and Latin America, where many countries have graduated from soft-loans to hard-loans and some former borrowers have become donor countries themselves. Table I at the end of this statement shows a current list of IDA's "graduates." These same countries have become significant export markets for the United States.

Elsewhere, notably in Africa, many countries have yet to enter the mainstream. The same lack of basic infrastructure which has frustrated efforts to distribute food aid to the hungry in Ethiopia, and the Sudan, and elsewhere has slowed the development of that region, and limited the potential market for American goods. Bringing these countries into the system remains the most important task facing the development institutions and should be of great importance to all of us.

A Record of Success

The World Bank and the regional development banks have had marked success in their efforts over the years. A study done by the Treasury Department during this Administration found that most projects had rates of return exceeding 20 percent. There have been failures, too, however.

Until recently development theory failed to take sufficient account of the importance to the development process of a healthy private sector and free operation of market forces. Now it is increasingly understood that success in reaching a self-sufficient stage of development is more likely in economies with healthy private sectors. The most rapid growth in the developing world has been achieved in countries where governments have acted to protect and enhance the role of the private sector.

As a result of this undertaking, the World Bank and the regional development banks are making greater use of their policy leverage -- requiring borrowers to make policy changes designed to release their economies from constricting government restrains. this represents an important change in the policy of the management of the World Bank and is strongly supported by this Administration and most other donor countries.

In many developing countries, inefficient government policies have had a lot to do with retarding growth. In recognition of this fact, The World Bank and the other development banks are making increasingly new loans only on the condition that policy changes are made.

As part of this effort, twenty-two African countries are undertaking sweeping measures to decontrol their economies and free the productive talents of their citizens. Here are some examples.

In Senegal:

- Public investment was reduced by 10% from 1983 to 1986.
- Several large new capital intensive projects were dropped.
- The rice price was increased 23% to eliminate all consumer subsidies on rice. The price of rice has increased by over 100% since 1982.
- Rice trading was opened to the private sector.
- The state groundnut seed distribution agency was liquidated.
- 2000 staff members from rural development agencies were laid off.
- A plan to liquidate or privatize many public enterprises was adopted.
- The maximum external tariff will be cut from 75% to 50% over three years. Quantitative import restrictions will be eliminated by 1988.

In Zambia:

- A currency auction has been instituted with IMF and World Bank assistance which has resulted in the devaluation of the Zambian Kwacha by 460% in the last year.

In Ghana:

- The state run cocoa marketing board has laid off 29,000 employees since the end of 1985.
- By removing the 8% interest rate ceiling and letting rates rise to 23% in 1985, the inflation rate has been brought down from over 100% to 16% in less than three years.

In Guinea:

- The entire state banking system was closed down, and three new banks, each half foreign owned, were put in its place.

What Lessons have the MDB's Learned?

The World Bank and the regional development banks have learned a lot from their mistakes. Their programs go through elaborate review. And their work is subject to pointed criticism inside and outside the banks. From this criticism and their own mistakes, they have discovered that:

- Good projects are likely to falter against a backdrop of bad economic policy. Thus, the MDBs are con centrating more on promoting sound policies in developing countries.
- Good resource management is sound economics. The World Bank in particular is elevating environmental protection from a peripheral concern to a cornerstone of its planning and development activities.
- Cookie-cutter projects do not work. What succeeds in one country or area may fail in another. Projects must be tailored to locales.
- The lowest cost supplier may not furnish the best equipment for a project. The multilateral banks have seen too many tractors rusting in the field for lack of a spare part. They now generally suppliers who can furnish the best quality goods and service where appropriate over the lifetime of the project.
- A welter of projects backed by a host of agencies often badly serves struggling countries. The World Bank and the regional development banks have emerged as prime coordinators of diverse development efforts around the world.

Current Directions

In helping the developing world, the multilateral banks are charting new directions.

- They have begun to shift their emphasis to the human side of development -- such basic cares as health and family planning.

- They design simpler projects and place more emphasis on training. Even large capital-intensive projects, such as irrigation systems, now occur on a smaller scale and are more oriented toward final users, such as small farmers.

- The World Bank is paying more attention to the needs of the rural poor and women.

The Multilateral Institutions and the Debt Problem

The debt crisis has had severe effects on most developing countries. In addition to those countries which made headlines because of their inability to repay sovereign loans to commercial lenders, virtually every other developing country has been squeezed in the vise of higher interest rates and decreased export earnings.

Despite the increased need, commercial lending to developing countries has declined as banks have been unwilling to roll over existing credits and extend new ones. Again, most developing countries have been affected, and their dependence on other sources of financing has increased.

In the early years of the crisis, the International Monetary Fund performed exceptionally well in dealing with the immediate effects on the major borrowers of Latin America. The economic policy prescriptions of the IMF and the temporary financing that it provides have helped many countries regain their economic health. In the current debt crisis, the IMF has been in the forefront of virtually every international rescue effort, providing transitional financing and coordinating the efforts of commercial lenders. The plans to greatly expand the Fund's Structural Adjustment Facility will help many countries with protracted debt problems that are not generally eligibly for commercial credits.

The World Bank's efforts to promote long-term growth have complemented these crisis efforts of the IMF. Many borrowers in the developing world face low and falling incomes - particularly in Sub-Saharan Africa, poor Asian countries such as Bangladesh, and major debtors in Latin America. Without the economic restructuring and growth that the World Bank loans help make possible, the international debt problem will be even more difficult to resolve.

No one knows when private capital flows to developing countries will bottom-out and recover. In the interim, the reliance of developing countries on the World Bank and the regional development banks will be greater than ever. In fact, had these institutions not been in existence, they would have had to be invented to avoid a dangerous rift in the international economic system.

U.S. Support for the Multilateral Institutions

Until these relatively recent developments, no other aspect of American foreign policy has received more consistent Congressional support, on a bipartisan basis, regardless, of the political party in charge, than that accorded to U.S. participation in the World Bank, the IMF and the regional development banks.

In announcing his strong support for these institutions President Reagan has joined an unbroken line of Presidents and foreign economic policy makers that includes every Administration since World War II. Each President has backed these institutions not because they are the legacy of the past, but because they continue to be the "cornerstones" of the international monetary system and are "central to the global economy" - to quote President Reagan at the 1985 annual meeting of the Fund and Bank.

The Current Budget Debate

From the outside, it appears as though Congressional support for the multilateral development institutions has declined in recent years. Authorization measures for new replenishments rarely go to the floor for an open debate and an up or down vote. Rather, it has fallen to the Appropriations Committees to authorize and appropriate funds for these programs.

Beyond this, economic aid has not been the dominant priority in the Congressional budget process. John Sewell and Christine Contee again show that the Foreign Aid budget grew 52% from FY 1980 to FY 1985, and by 26% from FY 1980 to 1987. However, that increase has gone almost totally into military and security programs. Despite the Gramm-Rudman cuts, security assistance -- including military programs and the Economic Support Fund-- has risen from $4.4 billion in FY 1980 to $8.5 billion in FY 1987. Over the same period, U.S. bilateral and multilateral development assistance declined from $5.2 billion to $4.4 billion. Security assistance now claims about two-thirds of the foreign aid budget. During the Carter Administration, it claimed just over half.

The multilateral development institutions are frequently the last priority for funding in the budget process despite the good efforts of some leading members of this Committee. There is some truth in the axiom that there is little constituency for foreign aid, and there is even fewer constituents for multilateral aid. The World Bank and the regional development banks cannot and should not be active in encouraging support from legislatures of member governments. The Treasury Department has a wide range of issues for which it is responsible, multilateral issues representing only a small part. The State Department and White House typically put bilateral assistance ahead of multilateral assistance on their worry list.

But for a number of good reasons, the multilateral development institutions deserve continued support.

They are cost effective, claiming only a small share of the foreign aid budget. Even with IDA which involves a direct donation of U.S. funds, one dollar contributed generates $16 in total investment.

Whether measured by rates of return or by the number of countries which have graduated from concessional assistance to market rate loans, the MDBs have a record of success.

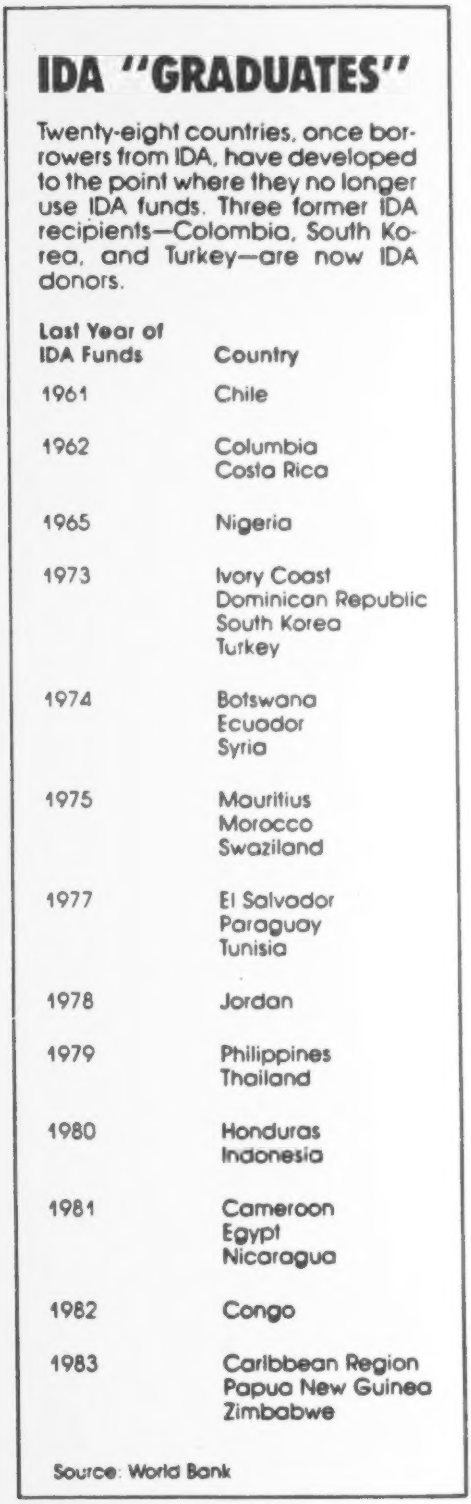
Their resources reach countries of importance to us. Of the fifty-six countries eligible for IDA assistance, for instance all but eight receive at least some form of U.S. bilateral assistance. China, Yemen and Laos are the notable exceptions.

Finally, they have the ability to induce governments to make policy changes in situations where bilateral lenders often cannot.

In summary, Mr. Chairman, the multilateral development banks are a good investment in our own future. They are a critical part of the foreign assistance program. We feel that they deserve to be accorded a high priority by Congress.

Thank you.

Table I



IDA "GRADUATES"

Twenty-eight countries, once borrowers from IDA, have developed to the point where they no longer use IDA funds. Three former IDA recipients—Colombia, South Korea, and Turkey—are now IDA donors.

Last Year of IDA Funds	**Country**
1961	Chile
1962	Columbia
	Costa Rica
1965	Nigeria
1973	Ivory Coast
	Dominican Republic
	South Korea
	Turkey
1974	Botswana
	Ecuador
	Syria
1975	Mauritius
	Morocco
	Swaziland
1977	El Salvador
	Paraguay
	Tunisia
1978	Jordan
1979	Philippines
	Thailand
1980	Honduras
	Indonesia
1981	Cameroon
	Egypt
	Nicaragua
1982	Congo
1983	Caribbean Region
	Papua New Guinea
	Zimbabwe

Source: World Bank

Senator REID. The next witness that will appear before the committee is Venetta Mason, Nurse and Director, Community Medical Care, American Nurses' Association.

AMERICAN NURSES' ASSOCIATION

STATEMENT OF VENETTA MASON, M.S.N., R.N., NURSE AND DIRECTOR, COMMUNITY MEDICAL CARE, AMERICAN NURSES' ASSOCIATION

Ms. MASON. Thank you for the opportunity, on behalf of the American Nurses' Association.

My name is Venetta Mason. I am Nurse and Director of Community Medical Care, which is a private non-profit family medical and nursing practice, not very far from where we sit.

We provide primary health care to people of all ages, most of them from the low income neighborhood where we are located.

For them, primary health care means going to the doctor, usually because something is wrong. For us, it means providing basic preventive and curative health care in our office or in their homes, if they are homebound, for a wide range of common conditions, with sensitivity to each persons needs, beliefs about health, financial and family situations, and living conditions.

I came to Community Medical Care largely because of the nine years I spent in the field of international health. For five of those years, I was Director of Nursing for Project Hope. I worked with programs primarily in North Africa and in Latin America.

This whole new-old idea of primary health care was in its ascendancy at that time, and I found myself wondering what shape it took in this country. I now know. In my neighborhood, at least, it is not a whole lot different than it is in most of the rest of the world.

It is clear that the health needs of most of the world's population are not met. Too many women still die in childbirth. Too many children die of preventable communicable diseases, because cost effective system of immunization just don't work in their settings. It is hard to keep a cold chain for polio vaccine, for example, going in a hot place. Too many children become ill or die from diarrheas that are not preventable with vaccine, but by access to clean water and information about breastfeeding, principles of sanitation and food preparation. Too many people of all ages suffer from malnutrition, not because they don't have enough food, although there are those too, but because they lack information about nutritional requirements given with the utmost cultural sensitivity and support in making the changes.

Need I say, most recently, AIDS is expected to stress health systems and resources in most countries.

Perhaps you are wondering why we think that mobilization of nursing personnel in support of primary health care is essential. Nurses are, indeed, a scarce commodity in many parts of the world. They are educated at varying levels, some of them don't have a basic high school education before they study nursing and in many places they work mainly in hospitals. They are not always influential, even in their worksite, not to mention in Ministries of Health or legislative bodies. Positions, on the other hand, are often in oversupply and they are traditionally the decisions makers in health matters.

However, we suggest there are several good reasons for intensifying nursing involvement in primary health care. Nurses as members of one of the oldest professions, have traditionally been the healers to whom families turn in times of need, when their own resources in helping their sick are exhausted.

The fact that most nurses are women has assured access to homes, family systems and the women of the household whose responsibility the health of that family is. Nurses tend to be privvy to both healing practices and beliefs that may confound scientific diagnosis of treatment. That goes for Washington, too.

Nurses find it easier to divorce themselves from expensive high tech solutions to health problems. Nurses are teachers, counselors, listeners, mediators, and nurturers. Nurses ask the hard questions in primary health care.

For example, do you understand why we have asked you to do this? Do you think that it is a good idea? Do you have a way to get there? Wherever there is. Do you have the money to buy what you need, medicine, supplies, et cetera?

Believe it or not, that is a large share of what primary health care is.

Nurses can also, very well, recognize and treat common health problems as they present themselves in community settings. They can, and in many places do, manage educational programs, clinics and regional health systems. Nurses prefer to collaborate, rather than work in isolation. We work well with policy makers, administrators, physicians, assistants, and traditional healers. We don't cost as much as many of these.

The American Nurses' Association seeks the opportunity to demonstrate effective strategies for mobilizing nursing for primary health care. The purpose of the project is to develop a corps of nurses in selected countries, who are well informed about primary health care, ready to expedite necessary changes in service and education systems, and capable of managing community health systems.

The ANA, working in concert with the International Council of Nurses, International Nursing Association, Ministries of Health and regional program, will provide technical assistance to develop, design and evaluate projects for nurses in primary health care. Priority would be given to countries in the African and Pan American regions.

Projects in each country would be based on identified strengths and needs of local nurses. They would put in workshops, development of educational programs, certainly, with emphasis on leadership, management training, collaborative relationship with community leaders, government health care providers, et cetera, development of educational materials, research into utilization and management of human resources for primary health care.

Our suggested funding for the first year of this program would be $1.5 million, with $3.0 million for each subsequent year of the program.

It is ANA's intent to work closely with National Nursing Associations to determine local views on nursing involvement in primary health care and to provide technical and financial assistance for education and service programs that will address the needs and goals identified, promoting government commitment and action in support of primary health care will be of prime importance.

Working productively with health service administration, nursing education and the communities, themselves, will be equally important.

The persons to lead this effort will be natural nursing leaders in each country. There are nurses who can speak with authority for the profession. They are innovative, farsighted, able to enlighten others, incite them to action and develop with them the long range plans to effect the changes required.

This leadership corps must be expanded and supported in their efforts to create a professional, governmental and community environment in which primary health care programs, programs that measurably improve the health of people in localities and nations, can be conceived carried out and thoughtfully evaluated.

May I add a personal note that I think it is a refreshing change from university to university exchanges, which are the most common, and sometimes not the most effective.

Thank you very much for the opportunity. If you have any questions.

[The prepared statement of Ms. Mason follows:]

AMERICAN NURSES' ASSOCIATION
WASHINGTON, D.C.

TESTIMONY

# of the

AMERICAN NURSES' ASSOCIATION

on

MOBILIZING NURSING PERSONNEL IN SUPPORT OF PRIMARY HEALTH CARE

Mr. Chairman, I am Venetta Mason, M.S.N., R.N., director of a nonprofit family medicine and nursing practice clinic, Community Medical Care. We provide primary health care and home care to people of all ages in the Shaw neighborhood of Washington, D.C. Prior to developing this community health program, I was Director of Nursing for Project Hope and worked in international health programs for 9 years in North Africa and Central and South America. I want to thank you on behalf of the 188,000 members of the ANA and its 53 constituent state nurses' associations for this opportunity to address the committee on the need to mobilize nursing personnel in support of primary health care.

It is clear that the health needs of most of the world's population are not being met by existing health systems. There continues to be a high mortality rate among women in childbirth in most parts of the world. Basic information on breast feeding and preventive and control of vitamin A deficiency and iodine-deficiency disorders as well as other basic nutritional information must be available to women if we are to prevent malnutrition. There is concern that recent programs in child health will be reversed in many parts of Africa and Latin America. Childhood immunization programs, well established as cost effective, require an organized systems for distribution which is often lacking in less developed countries. The human immune deficiency virus (HIV) epidemic is expected to stress the existing health systems in most countries of the world.

The role of nurses in promoting women's involvement in primary health care should not be overlooked. Women are recognized as the decision - makers and promoters of maternal and children and family planning, adequate nutrition, diseases surveillance and control, water supply and sanitation, and other family health care activities. Nurses in community health and primary health care, armed with the latest epidemiological data, can be teaching mothers about sexually transmitted diseases, such as HIV virus, and about the latest oral rehydration methods for control of diarrheal diseases, as well as basic information on family health practices.

Nursing has historically allocated some of its resources to the care of people in the community, but these are no longer sufficient for the demands of primary health care. The demand for nurses in the curative services has increased, absorbing a large part of available resources and reducing tho numbers available for community care. Nursing education has followed the same trend, reserving much of the training time to preparing nurses for curative functions and paying little more than lip-service to community care or the preventive, promotion, and rehabilitative aspects of health.

Health care systems must change dramatically if they are to respond to the needs of the whole population, and the nursing system must change with them. The nursing profession must seriously consider ways in which its resources can be developed and used to make a maximum contribution in providing essential health services.

Nursing has always been a resource to which families turned when their own resources for helping their sick were exhausted. Gradually, the sick were moved to institutions, where scarce treatment/care resources could be pooled to benefit a greater number, and nursing became increasingly institution-based. This trend has accelerated in recent decades and nursing (like other health professions) is now seen as a partner in a curative function increasingly concerned with uncommon or complex disease conditions. Few resources thus remain for the more common and largely unmet health needs of the wider community outside those institutions which constitute the prevention of illness, and support to communities and individuals able to participate in their own health care, promotion and maintenance of health, and rehabilitation to an optimal quality of life.

The emphasis on curative, hospital-based care is reflected in nursing education programmes. Traditionally, nursing schools were located in proximity to, or affiliated with hospitals, and student nurses provided most of the care given in those hospitals. As the demand for nursing services in the hospital setting increased, and as many of the doctor's tasks became the tasks of the nurse, the theoretical and practical content of nurse education was extended to hospital-based needs. Little time is given to the equally important aspect of nursing care - home-based health problems, health promotion, illness prevention, rehabilitation, and the dissemination of health information.

Nursing education programs need to encourage nursing practice to focus on the health status of communities, and on methods of nursing practice that can positively contribute to the health of individuals and families within those communities. Training must prepare nurses for effective team work either within or outside the organized health care system.

Nurses have traditionally been closer to the patient than to the management system, and any preparation they receive for planning or decision-making is usually acquired on the job. Other health professionals, accustomed to seeing nurses in this light, have been slow to recognize their potential and see little need to involve them in the planning and decision-making process at any level. Only recently has the nursing profession itself recognized a need for education that would enable it to undertake administrative, decision-making responsibilities at all levels of the health system. As a consequence manpower planning, deployment of staff, and decisions relating to numbers or location of nursing schools have only too frequently been made by those who do not understand the contribution nursing can make to community health care.

The nursing profession has not collected information indicating the overall health needs of communities. The studies that have been made of the effectiveness of nursing care in meeting community-based health problems are too few and too widely scattered to be of use as guides in health care planning.

The nursing profession, by its numbers alone, can make a major contribution to primary health care. To make that contribution requires a deeper understanding of the philosophy of primary health care and a commitment to its values and goals. Nurses must prepare themselves now to actively participate in determining the role they can play in each country.

The ANA seeks the opportunity to demonstrate effective strategies for mobilizing nursing for primary health care. The purpose of our proposed project is to develop a corps of nurses in selected countries who are well informed about primary health care, ready to expedite the necessary changes in service and education systems, and capable of managing community health care systems. The ANA, working in concert with the International Council of Nurses, other nursing associations, Ministries of Health, and regional programs, will provide technical and financial assistance to develop, design and evaluate programs for nurses in primary health care. Priority would be given to countries in the African Region and in the Pan American Region.

Projects in each country would be based on identified strengths and needs of nursing personnel in primary health care and could include national workshops, development of educational programs with special emphasis on leadership, management and collaborative relationships with community leaders and other health care providers, development of educational materials, and research into utilization and management of human resources for primary health care. Suggested funding for the first year is $1.5 million and $3.0 million for subsequent years of the project.

It is ANA's intent to work closely with the nursing associations in each country, to obtain the views of nurses on their involvement in primary health care, and provide technical and financial assistance for education and service programs that will address the needs identified. It is critical that these programs be developed at the district or regional level within a country and coordinated with other primary health care activities.

It is also important to develop a project that can respond to the existing strength of nursing in primary health care in a particular country. Nursing systems vary tremendously in their adaptation to the goals of primary health care from country to country.

Change will require a motivating force ready to break down resistance, sustain the initial effort, and go on to develop realistic and practical plans. The early reform of health systems and their nursing components from present patterns to a full primary health care approach requires a nucleus of leaders able to stimulate and sustain change in many different directions. Government commitment and action in support of primary health care, is a prime requisite. Equally important are changes in the adminstration of health services, in their nursing components, and in the eduction plans for each health discipline. Since primary health care implies the involvement of communities, these too must learn to change, and to become active participants instead of passive recipients. The contribution that nursing can make to those changes must be instilled in a variety of ways into many varied and interacting groups.

The persons to lead this reform are the natural leaders in nursing in their own country. They are the nurses who can speak with authority for the profession and to whom it looks for direction. They represent the innovative, farsighted members of that profession, able to enlighten others, incite them to action, and develop with them long-range plans for the changes required. Plans for changes of this magnitude must be dynamic and intensive, mobilizing resources on many fronts and initiating action with sufficient clarity and force to ensure that it continues with increasing momentum in all aspects of nursing and throughout the health system.

Such leadership, however, cannot be expected to evolve of its own accord. Nor can only one or two nurses assume this large responsibility. Instead, a corps of nurses, carefully chosen for their leadership qualities, needs to be developed that will initiate and monitor the plan for change and provide a supporting network for nursing development in primary health care throughout a country and a region.

Mr. Chairman, again I thank you for this opportunity to show our concerns about nursing and primary health care.

Senator REID. Thank you. We are sorry you had to wait.

Ms. MASON. That is all right.

Senator REID. Our final witness today is Marius Deeb, Georgetown University.

GEORGETOWN UNIVERSITY

STATEMENT OF MARIUS DEEB, ADJUNCT PROFESSOR, SCHOOL OF FOREIGN SERVICE, GEORGETOWN UNIVERSITY

Mr. DEEB. I have a written statement, but I will just read part of it.

Senator REID. The written statement will be made part of the record in its entirety.

Mr. DEEB. Since 1975, American policy objectives in Lebanon have been clearly stated. The United States supports a free and independent Lebanon, the reassertion of Lebanese sovereignty and the withdrawal of all foreign forces.

Unfortunately, we appear further away from these objectives today than anytime. Most of Lebanon is occupied by foreign forces, and Syria and Iran have allowed terrorist groups to operate freely in areas outside the control of the Lebanese Army.

Lebanon has become the convenient arena for States which sponsor terrorism. While most responsibility for these problems rest with the Lebanese and the states which have sponsored terrorism or have kept their forces in Lebanon, American policy has also contributed to the problem and not to the solution.

I am not one of those who say the United States can or should solve the problem of Lebanon. My concern is that those actions undertaken by the United States with the right motives and the right objectives have not contributed to a solution of the problem. In many cases have made attaining a solution more difficult.

The first mistake made by the United States was to support Syrian military intervention in Lebanon. By turning over responsibility to a foreign power, the only institution which can ever legitimately solve Lebanon's problem, the Lebanese central government was further weakened.

American support for Syrian occupation continues and this would weaken the central government and prevent a long term solution. The United States has consistently abandoned its long term objectives for the expediency of the moment.

Talking about foreign aid, and skipping the part on political analysis of why Syria and Iran are destructive in Lebanon. I would emphasize that the manner in which foreign assistance has been provided to Lebanon, has also contributed more to the problem than to the solution.

The United States and this subcommittee have been very generous to Lebanon, unfortunately, the manner in which assistance has been given, more often than not, has weakened the central government rather than strengthened it.

The way to strengthen the central government of Lebanon is to give assistance resources to the government. If you look to the economic resources given to Lebanon by the United States which have been considerable, almost all have gone to non-government organizations, primarily PVO's and the American University. This money was well spent, AUB, American University in Beirut, is a fine institution and the PVOs do excellent charitable work.

The political consequences, however, are pernicious. By refusing to give money to the central government, the United States demonstrates that the central government is weak. More seriously, this action helps guarantee that it stays weak.

The one area in which funds went to the central government, namely, military assistance, has been relatively sucessful. The Lebanese Army today remains a national institution. When a political solution is reached, it is clear that the army will be able to provide security.

Let me conclude by urging this subcommittee, which is so important to the conduct of American foreign policy, to explore ways to provide a small demonstration of support for the Lebanese central government.

An increase in IMET funding, or a small amount of grant military assistance, or some ESF, or food aid through the government of Lebanon are all possible. This is a case where the political significance will far outweigh the meager cost.

Thank you and I appreciate very much the opportunity to allow me to appear before this committee in support of foreign aid to Lebanon.

[The prepared statement of Mr. Deeb follows:]

STATEMENT PREPARED BY MARIUS DEEB

ADJUNCT PROFESSOR
SCHOOL OF FOREIGN SERVICE
GEORGETOWN UNIVERSITY, WASHINGTON, D.C

Since 1975 American policy objectives in Lebanon have been clearly stated. The United States supports a free and an independent Lebanon, the reassertion of Lebanese sovereignty and the withdrawal of all foreign forces. Unfortunately we appear further away from these objectives today than anytime. Most of Lebanon is occupied by foreign forces, and Syria and Iran have allowed terrorist groups to operate freely in areas outside the control of the Lebanese Army. Lebanon has become the convenient arena for states which sponsor terrorism.

While most responsibility for these problems rest with the Lebanese and the states which have sponsored terrorism or have kept their forces in Lebanon, American policy has also contributed to the problem and not to the solution. I am not one of those who say the United States can or should solve the problem of Lebanon. My concern is that those actions undertaken by the United States with the right motives and the right objectives have not contributed to a solution of the problem and in many cases have made attaining a solution more difficult.

The first mistake made by the United States was to support Syrian military intervention in Lebanon. By turning over responsibilty to a foreign power, the only institution which can ever legitimately solve Lebanon's problem the Lebanese Central Government was further weakened. American support for Syrian occupation continues and this will weaken the Central Government and prevent a long-term solution. The United States has consistently abandoned its long-term objectives for the expediency of the moment.

Hizballah, Syria and Iran

Our attitude toward Syria and its role in Lebanon is closely related to the events which have taken place in the Middle East as a whole. For instance, the role of Hizballah in Lebanon is a recent phenomenon dating from June 1982, when a group of former members of the Shi'ite Amal organization decided to form a seperate political organization with the assistance of the Iranian Revolutionary Guards. The latter were stationed in the Biqa' region of Lebanon at Syria's request and in acordance with a military agreement signed between Iran and Syria. Hizballah has been the major instrument used by Syria and Iran to drive out the Western powers from Lebanon. Under the covert name of Islamic Jihad, it was responsible for numerous terrorist operations against Western targets such as the U.S. Embassy in Beirut in April 1983, the U.S. Marines Headquarters and the French Headquarters of the MNF in Beirut in October 1983, the U.S. and French Embassies in Kuwait in December 1983, the U.S. Embassy Annex in Lebanon in September 1984, the hijacking of TWA flight 847 in June 1985, and the taking of American and other Western nationals as hostages since March 1984.

Although Hizballah represents a small minority of the Shi'ite community in Lebanon, because of direct Iranian supply of arms and financial support it has become a formidable force in the Biqa' region , the southern suburbs of Beirut, and in southern Lebanon. Furthermore , the emergence of Hizballah in the Biqa' region, the expansion of its influence in Lebanon and the growth of its militia could not have taken place without Syrian sufferance. It is clear therefore that both Syria and Iran have permitted Hizballah to grow because they have benefited from its operations. One must therefore view Hizballah as one of the major instruments used by Syria and Iran to achieve their foreign policy objectives in Lebanon and in the Middle East as a whole.

Due to the overwhelming convergence of interests of Syria and Iran since 1980 it is highly unlikely that Syria will curb Hizballah in Lebanon. The stated policy of an imminent curbing of Hizballah by Syria , has been a pretext to expand the deployment of its troops in Lebanon at the expense of the Lebanese Central Government and communities which have opposed the Syrian military presence in the country. In fact Hizballah has been allowed to operate freely in Syrian controlled areas.

Analysts have tended to confuse Syrian opposition to Sunni Islamic fundamentalists, who have constituted the major internal threat to the Asad regime in Syria since 1977, with Shi'ite Islamic fundamentalists. Shi'ite militants have been a boon to Syria in Lebanon and the Middle East. In Lebanon the spectre of an Islamic republic, as advocated by Hizballah has pushed those who fear Hizballah into greater subservience to the Asad regime in Syria seeking its protection. Similarly it is because of Hizballah's activities and in particular the taking of hostages that the U.S.

and France have sought Syrian assistance and mediation with Hizballah to release the hostages. This has enhanced Asad's legitimacy in the region and given him an important role to play internationally which would cease to exist if all the hostages were released. Thus it is in Asad's interest to keep the hostage crisis unresolved. The rise of Shi'ite Islamic fundamentalism in the Middle East as embodied in the Iranian Revolution has also enhanced the prestige and the power of Syria, Iran's closest ally in the world. The Arab states which are threatened by Iran have sought Syrian mediation and have been forced to increase their subsidies to Syria.

Since Asad has been reaping so many benefits as a consequence of the rising power of Shi'ite Islamic fundamentalists in Lebanon and the Middle East, why should he crack down on Hizballah in Lebanon, and give up his strategic alliance with Iran ?

It follows therefore that all U.S. policies based on the premises that Syria will crack down on Hizballah, resolve the American hostages crisis, and be a stabilizing factor in Lebanon are doomed to failure. It is high time to realise the game Syria has been playing in Lebanon and the Middle East in cahoots with Iran, both of which have determined the parameters within which Hizballah has been operating.

Instead a policy based on assisting friendly countries in the Middle East such as the members of the Gulf Cooperation Council (GCC) , Lebanon, Egypt, Tunisia and Morocco, would be more profitable in the long term to U.S. interests in the region. We should stop courting states that have sponsored terrorism against the West and against the peoples and governments of friendly states in the Middle East. We also have to be more consistent in our policies : we can not punish Libya, while selling arms to Iran and expressing our gratitude toward Syria, when Iran's and Syria's records on terrorism have been worse than Libya's. By being inconsistent we are sending confusing signals to our friends in the Middle East, and the wrong signals to Iran and Syria encouraging the latter to continue to pursue their objectives by the use of terroristic means.

Foreign aid to Lebanon

The manner in which foreign assistance has been provided to Lebanon has contributed more to the problem than to the solution. The United States and this Sub-Committee have been very generous to Lebanon. Unfortunately, the manner in which assistance has been given more often than not have weakened the Central Government rather than strengthened it.

The way to strengthen the Central Government of Lebanon is to give assistance resources to that Government. If you look to the economic resources given to Lebanon by the United States which have been considerable, almost all has gone to non-governmental organizations, primarily PVO's and the American University. This money was well spent, AUB is a fine institution and the PVO's do excellent charitable work. The political consequencies, however, are pernicious. By refusing to give money to the Central Government, the United States demonstrates that the Central Governemnt is weak. More seriousy, this action helps guarantee that it stays weak.

The one area in which funds went to the Central Government, namely, military asisitance, has been relatively successful. The Lebanese Army today remains a national institution. When a political solution is reached, it is clear that the Army will be able to provide security.

Some in Congress are beginning to focus on the need of the United States to alter the implementation of its policy toward Lebanon.

In a recent floor statement Congressman Feighan observed :

> "What should American policy be toward Lebanon? I support the general policy guideline set forth in Section 914 of the Foreign Assistance Legislation reported by the Senate Foreign Relations Committee this spring. This section has three parts. The first reiterates the underlying principles of American policy toward Lebanon:
>
> --preservation of the unity of Lebanon;
> --withdrawal of all foreign forces;
> --recognition of and respect for the territorial integrity of Lebanon;
> --reassertion of Lebanese sovereignty throughout Lebanon; and,
> --reestablishment of the authority of the Government of Lebanon throughout the nation as prerequisite for a lasting solution to the problems of international terrorism emanating from Lebanon.
>
> The last point is most important. Only the Lebanese, no foreign force, will be able to curtail the activities of international terrorists operating out of Lebanon - not the Americans, not the Syrians and not the Israelis. We have all

failed. Those in the Administration who hoped that a Syrian presence in West Beirut could stop the terrorists and free the Western hostages were naive. Charles Glass was kidnapped a few hundred yards from a Syrian checkpoint. The Syrians have refused to take control of the Hizbollah dominated southern suburbs, where most of the more than two dozen foreign hostages are believed held. Syria's desire to maintain good relations with Iran clearly outweigh their need to control the terrorists in Lebanon. The Lebanese, who have suffered most at the hands of the terrorist, have most to gain in eliminating these terrorists.

The second part of Section 914 of the Senate bill directs the Administration to support the Lebanese Central Government. The fact that such a direction is seen as necessary is unfortunate. While our official statements have consistently supported the Central Government, our actions have often weakened it. Over the last twelve years we have usually taken the actions which address short-term problems but had the side-effect of undermining our long-term goal of supporting the Central Government. Giving a yellow or green light for Syrian occupation of West Beirut against the wishes of the Central Government, may have stopped the fighting but weakens the Central Government. Dealing with various militia leaders because they have a de facto power in one area or another, diminishes the influence of the Central Government. Providing small amounts of assistance through non-government organizations because they can reach more people, demonstrates to all that we do not believe the Central Government can deliver goods and services. Each time our government makes such a decision which appears correct in the short-term, we in fact make the situation worse. When the United States undertakes actions, we must look beyond the short-term if we are really going to help the Lebanese.

American policy designed to strengthen the Central Government is overdue."

I urge this subcommittee, which is so important to the conduct of American foreign policy, to explore ways to provide a small demonstration of support for the Lebanese Central Government. An increase in IMET funding, or a small amount of grant military assistance, or some ESF, or food aid through the government of Lebanon are all possible. This is a case where the political significance will far outweigh the meagre cost.

SUBCOMMITTEE RECESS

Senator REID. Thank you very much for your testimony, and as I indicated, your full statement will be made a part of this record.

This subcommittee will now stand in recess until Friday, August 7, when the subcommittee will receive testimony in support of the administration's overall foreign assistance request.

Our witness at that time will be Secretary of State George Shultz.

[Whereupon, at 5:39 p.m., Thursday, July 30, the subcommittee was recessed to reconvene Friday, August 7, 1987.]

MATERIAL SUBMITTED SUBSEQUENT TO CONCLUSION OF HEARING

(CLERK'S NOTE: The following statements were received subsequent to the hearing.)

STATEMENT OF MR. PHILIP HARVEY
FOUNDER OF POPULATION SERVICES INTERNATIONAL

Mr. Chairman and Members of the Subcommittee, I very much appreciate the opportunity to submit testimony today regarding the use of population planning funds. My name is Phil Harvey and I am the founder of Population Services International, one of the country's leading private organizations in the family planning field. I have been active in this field for the past twenty years. I believe that my work has given me a broad prospective on the problems faced by both the U.S. government and private sector groups in the family planning area. My remarks will focus on improving the effectiveness of the working relationships established between private sector organizations and the U.S. Agency for International Development ("AID").

The most critical issue facing public and private population planning entities is cost-effectiveness. Population planning funds are precious, and to be effective a program must obtain the biggest "bang" possible for its dollar. The following two very simple ideas, if adopted, would help ensure that the use of AID and private population funds are spent in the most cost-effective manner possible.

The first idea addresses the practice of cost-sharing, or "partnership programming," between AID and private population planning groups. Under such programs AID finances would be pooled with the resources invested in the population planning area by private groups. The concept of partnership programming is not new. To the contrary, this form of cost-sharing is a well-established tradition in the foreign assistance field. Moreover, AID already takes advantage of partnership programs in other areas, and in doing so is able to achieve more significant goals than it would achieve on its own. Indeed, AID has published a booklet on partnership programs which sets forth the basis for many types of programs in which private voluntary organizations are challenged to share the cost of certain foreign assistance programs when the goals of the private organizations and AID coincide. Such cost-sharing, however, has never been implemented in the family planning area.

There are numerous examples of cost-sharing project activities in international assistance. These include the Belize Rural Water Project, in which $270,000 provided by AID is being matched by $127,000 from a private organization; the Ecuador Land Use Management Project, in which a private entity is actually paying slightly more than half of the program's $177,000 costs; and the Guatemalan Agri-Forestry Project, in which AID is providing $142,000 matched by a grant of $116,000 from a private group. There are also numeorus examples of such cost-sharing in foreign assistance programs which are partially financed by European governments and by the EEC.

AID could improve both its efficiency and its effectiveness by initiating cost-sharing programs in the family planning field. Unchecked population growth is a problem that is expanding far more rapidly than government funds can be generated for family planning services. By entering into cost-sharing programs, and combining its funds with those from the private sector, AID can, at no cost, substantially augment the resources dedicated to family planning programs.

By challenging private family planning organizations to share in the costs of AID-sponsored programs, AID could also be assured of attracting the most highly motivated organizations which could be expected to place a greater emphasis on the effectiveness of these programs. There is an assumption among some population organizations that as long as AID is footing the bill there is no reason to be overly concerned about efficiency or results. This unfortunate perspective is reinforced by AID's lack of focus on the results of the programs it funds. When private organizations' own funds are at stake, however, they can be expected to take a less cavalier and far more energetic attitude toward making the programs truly effective.

In short, there is simply no reason why cost-sharing partnership programming should not be undertaken in the family planning field. In addition to improving the efficiency of family planning programs such a goal is fully consistent with the Administration's general policy of increasing private sector participation in public service programs.

The second idea to ensure that the use of AID family planning funds are spent in a cost-effective manner focuses upon the concept of results accountability. AID currently does not apply a standardized measurement formula in evaluating the success of its population programs. Consequently, it is unable to assess whether the funds spent on a given project actually achieve the results they are expected to achieve, and, accordingly, is unable to determine on an objective scale which projects are most (and least) effective. An objective assessment, focusing on results achieved rather than funds spent, would greatly benefit AID's population programs.

Ironically, family planning is one of the easiest forms of international assistance to evaluate on an objective scale. Private organizations in the population field have for many years employed measurement formulas which focus on results, typically relying on the well-recognized Couple Years of Protection ("CYP") formula. This measurement standard has been developed over many years by research organizations in close collaboration with AID and it is widely recognized by academic institutions and practitioners as an accurate and convenient mechanism both to determine the cost of family planning services on a per family basis and to measure the number of families reached by these programs.

The CYP is defined as the provision of family planning services sufficient to provide one couple with one year of complete contraceptive protection against pregnancy. Because a woman normally experiences thirteen fertile periods per year, thirteen cycles of pills, for example, are required for complete contraceptive protection, and the provision of thirteen cycles of pills is normally considered the equivalent of one CYP. Similarly, the insertion of an IUD is considered equivalent to approximately two CYPs based on well-established statistical evidence that, while in place, it provides protection with a high degree of reliability for two years. The CYP calculations for contraceptives the use of which vary somewhat with coital frequency. Experts generally agree, however, that the sale of one hundred condoms or spermicidal tablets are equivalent to one CYP.

The CYP is thus adaptable to both clinic-based and non-clinic service delivery modes, enabling family planning program evaluators to compare the cost efficiency of different methods of delivery as well as different contraceptive methods. If AID were to implement the CYP or an equivalent accountability standard, such as the New Acceptors, Continuing Acceptors, or Births Averted standards, for its family planning service programs, it could greatly improve the efficiency of its overall program. Congress can, and should, ensure the implementation of a standard by requiring AID to provide it with biannual quantitative analyses of the results achieved by AID-sponsored family planning programs.

In conclusion, although these ideas may greatly improve the efficiency and effectiveness of the family planning programs funded by AID, they will cost the taxpayer absolute nothing. Accordingly, AID should be required to implement them.

INTERNATIONAL ENGINEERING &
CONSTRUCTION INDUSTRIES COUNCIL

MARK G. CHALPIN
SECRETARY, INTERNATIONAL ENGINEERING &
CONSTRUCTION INDUSTRIES COUNCIL

On behalf of the U.S. design and construction industry, the International Engineering & Construction Industries Council (IECIC) wishes to state for the record our support for increased funding for the Trade and Development Program (TDP) in the FY 1988 foreign aid appropriations bill. TDP funds feasibility studies for major projects in Third World countries.

IECIC consists of the American Counsulting Engineers Council, the American Institute of Architects, the Associated General Contractors, and the National Constructors Association. IECIC represents directly almost 4 million architectural, engineering, and construction (AEC) employees in the United States with a total contribution to the U.S. GNP in 1982 of approximately $250 billion from services performed.

Both the House and Senate omnibus trade bills provide for substantial increases in the authorization for TDP over the next two fiscal years. These authorizations have the potential to increase TDP funding from the current level of $20 million/year to $50 million in FY 1988 and $31 million in FY 1989. However, even at a funding level of $50 million/year, the U.S. Government would be providing significantly less export financing than many of our competitors' governments. For example, Japan has $120 million funded annually for feasibility studies.

Feasibility studies are important in defining the parameters and scope of major projects and have a major impact on the downstream sourcing of AEC services as well as the procurement of equipment and material. In administering feasibility studies with an extremely small budget, TDP has distinguished itself as one of the most useful, innovative, and cost-effective agencies in the federal government for exporters of U.S. AEC services. Thanks to its highly competent and dedicated staff, TDP exemplifies the kind of successful partnership between the public and private sectors which should characterize much more of our nation's overall trade policy.

The greatest obstacle that U.S. design and construction firms face today is the export financing that foreign competitors receive from their governments. In order for U.S. firms to be able to compete in the international marketplace, the need for support from the U.S. Government in the form of export financing cannot be overemphasized.

Given our serious trade problems, TDP is one of the few programs which is guaranteed to impact in a measurable way on U.S. exports. Each dollar of TDP funds results in $178 of actual and potential U.S. exports. Attached is IECIC testimony stating the benefits of TDP that was presented to the House Subcommittee on International Economic Policy and Trade of the Committee on Foreign Affairs on March 10, 1987.

STATEMENT FOR THE RECORD
DERISH WOLFF
ON BEHALF OF THE
INTERNATIONAL ENGINEERING & CONSTRUCTION INDUSTRIES COUNCIL (IECIC)

SUBCOMMITTEE ON INTERNATIONAL ECONOMIC POLICY AND TRADE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
MARCH 10, 1987

Good afternoon, Mr. Chairman. I am Derish Wolff, President of Louis Berger International, Inc., in East Orange, New Jersey, one of the nation's largest consulting engineering organizations. During the past five years, we have worked in over 100 countries throughout the world. I am here today on behalf of the International Engineering and Construction Industries Council (IECIC), an umbrella organization comprised of the American Consulting Engineers Council (ACEC), the National Constructors Association (NCA), the Associated General Contractors of America (AGC), and the American Institute of Architects (AIA). We welcome and appreciate this opportunity to appear before you today to discuss proposed changes in the U.S. Trade and Development Program.

IECIC was established in 1967 when our industry recognized that serious problems were causing the erosion of the traditionally strong U.S. competitive position in architectural, engineering and construction markets overseas. We believed these problems and mutual interests could be dealt with most effectively under the umbrella of IECIC, thereby providing a collective contact with the Congress, Federal agencies, multinational lending institutions and the private sector concerned with projects abroad.

IECIC today represents directly some four million architectural, engineering and construction employees in the United States. In 1982 the total contribution of our industry to the U.S. GNP was approximately $250 billion, or over 7.5% of the total. This figure is higher than the contribution of other major industries; for example, petrochemical is 6%, banking 5% and transportation and communications is 6.5%. IECIC industries are a vital "opening wedge" in expanding American exports of goods, products, machinery and diverse services.

In June 1984, IECIC engaged Price Waterhouse to undertake a study defining and measuring the benefits to the U.S. economy of our industry exports. The study, which was completed in 1985, shows that our industry had total foreign revenues in 1983 of approximately $19.6 billion, of which $4.8 billion represented direct U.S. construction industry exports. In addition, the industry accounted for $11 billion in subsequent follow-on U.S. exports. Total 1983 export revenues were, however, more than $2 billion lower than in 1982. The results of the study demonstrate that from the standpoint of the U.S. economy, in 1983 industry exports employed 261,000 U.S. personnel and generated over $1 billion in Federal, corporate and personal income taxes.

IECIC has a long and consistent history of support for the U.S. Trade and Development Program, and was one of the principal voices calling for its creation seven years ago. Members of IECIC testified before this Subcommittee in February, 1980 on the importance of feasibility studies in defining the parameters and scope of major projects. IECIC pointed out at that time that the project feasibility study itself has a major impact on the downstream sourcing of engineering and construction services as well as the procurement of equipment and material. IECIC testified further that the governments of our major competitors were doing everything they could to help their companies win all-important feasibility studies in international markets, including underwriting the cost of the studies. We argued that our firms needed similar assistance, and that the economic benefits which would flow from a greater U.S. participation in the resulting projects would far exceed the cost to our government of the initial study.

Mr. Chairman, you were one of our strongest supporters seven years ago, and played a major role in establishment of the Trade and Development Program. You and this Subcommittee are also responsible to a great degree for TDP's remarkable success since that time. Despite an extremely small budget, TDP has distinguished itself as one of the most useful, innovative, and cost-effective agencies in the federal government for exporters of U.S. architectural/engineering/construction (a/e/c) services. Thanks to its highly competent and dedicated staff, TDP exemplifies the kind of successful partnership between the public and private sectors which should characterize much more of our nation's overall trade policy.

In the last decade, we have seen competition for the world's a/e/c market increase at an astonishing rate. As many of our traditional overseas markets, such as the Middle East, have declined for a variety of economic reasons, competition for the remainder has intensified, often from nations which did very little international work at all back when TDP was first conceived. Never before has the field been so crowded, and never before has financing, both for feasibility studies and for various other stages of project implementation played so large a role.

IECIC is convinced that a new and aggressive effort on the part of our government is necessary if industries such as ours are to remain active in international markets. We are currently in the final stages of drafting a comprehensive "Design and Construction Industry Competitiveness Plan" which will make recommendations in several different areas for enhancing our industry's international performance. Few areas in IECIC's program will be more important than competitive export financing, which has not only become a determining factor in contract awards overseas, but is often the determining factor in such awards. IECIC has discussed several of its ideas and draft proposals with you and your staff, Mr. Chairman, and looks forward to continuing the close and constructive working relationship which we have enjoyed over the past years.

Mr. Chairman, IECIC has reviewed your proposals for enhancing the scope and effectiveness of the Trade and Development Program as part of Congressional consideration of trade reform, and applauds them as consistent with our own goals and objectives. As we have stated on many occasions, TDP is in a unique position to combine support for development projects with export opportunities for U.S. companies. These goals are not only consistent and appropriate, but are in fact practiced by virtually all our international competitors. Despite its limited size and some ambiguity concerning its flexibility and authority, TDP has been enormously helpful to our industry; with the changes in TDP's funding and scope which are included in your proposal, we feel that it could do even more to promote export opportunities for our members and the many other companies, large and small, which rely on them.

IECIC feels that the following actions would be useful to our industry and effective in promoting TDP's role in supporting priority development projects overseas:

-- Flexibility - Without detracting from the importance of feasibility studies, which we anticipate would remain a principal focus of TDP, other aspects of a project's early consideration and development can also be crucial for sourcing follow-on services and products. By authorizing use of TDP funds for a broader range of project-related functions, including training activities and project planning, the Congress will expand the Program's effectiveness in promoting U.S. participation in development projects overseas.

-- Independence - TDP can and should have sufficient standing within the government to allow it to exercise its mandate fully. IECIC agrees that clarification of its status as an independent organization will contribute to its effectiveness in promoting increased U.S. participation in international development projects.

-- Funding - An increase in funding for TDP is clearly necessary if the Program is to continue and expand its impact on our export performance. In our testimony in 1980, we called for a minimum funding level of $20 million for the Program. Seven years later we have yet to reach that level, whereas the need for support from TDP has increased many times over. IECIC proposes an authorization of $100 million for TDP over a two year period, to be appropriated at $50 million in FY88 and $50 million in FY89. Even with such funding increases, the United States will still be providing considerably less support for its companies in this area than is offered by our major international competitors.

-- Project Financing/Tied Aid Credits - As mentioned earlier, the award of large scale development projects overseas is increasingly determined by the attractiveness of financing arrangements. In most of the developing world, use of mixed, or tied aid credits on major projects, usually involving a grant element provided by the contractor's home government, has become standard. U.S. efforts within the OECD to reduce this use of tied aid credit financing have proved unsuccessful. IECIC's position on tied aid credits is well known to this Subcommittee. We have testified on the need for similar financing support on many occasions in the past, most recently in October, 1985 before this panel, and would be pleased to provide additional copies of our position and past statements if they would be useful. Our position is simply that the rules of the game have changed, and that by refusing to make tied aid credits available in sufficient amounts to U.S. exporters, we are in effect forcing them to team up with foreign companies in joint ventures where they are able to, or simply bow out where they are not. IECIC endorses your recommendation that TDP be encouraged to implement the federal tied aid credit program, as well as participate in cofinancing World Bank and regional development bank programs in order to promote increased U.S. participation in such facilities. IECIC also supports use of the Economic Support Fund by TDP to finance tied aid credits.

-- Procurement Restrictions - Mr. Chairman, IECIC has long argued that U.S. taxpayer funds should not be used to help foreign companies compete against U.S. firms. Particularly irksome has been the availability of U.S. AID money to certain foreign companies bidding on a/e/c contracts overseas against IECIC members. IECIC would welcome an amendment to the Foreign Assistance Act of 1961 as you have proposed to deny funding assistance to any country for the export of goods and services which are already competitive in international markets.

Once again, Mr. Chairman, we are grateful for your continuing initiatives regarding TDP, and appreciate this opportunity to express our views. I would of course be pleased to respond to any questions you might have.

TESTIMONY SUBMITTED BY
DR. CHARLES CANNON
EXECUTIVE SECRETARY

WORKING GROUP ON U.S. TECHNOLOGY AND THE THIRD WORLD POWER CRISIS

The **Working Group on U.S. Technology and the Third World Power Crisis** includes representatives from electric utility companies, engineering firms, energy equipment suppliers, and environmental groups. Members of the Working Group share the view that the U.S. should tap its technical leadership in the power sector to help alleviate the continuing power crisis in developing countries. We are submitting our testimony in support of the foreign assistance program of the U.S. Agency for International Development and specifically in support of those activities which address the critical questions of energy in developing countries.

The program of the **Working Group** has three major objectives:

- to improve the efficiency of existing power systems in developing countries
- to provide adequate power for future growth in developing countries
- to promote private investment in new generation.

Energy may have left the headlines and front pages of the world but energy problems continue to inhibit economic development in the countries of the Third World. Though world oil prices have moderated recently, the price of importing oil into developing countries continues to be a major drain on these economies. Many countries of strategic importance to the U.S. and recipients of U.S. foreign assistance continue to pay more than 20% of what they earn from their exports for imported oil.

A Growing Energy Crisis

The first energy crisis in the Third World was oil price driven. Countries paid more to import less, their debt burden grew, and economic activity stagnated. The current and future energy crisis is more focused on the power sector. The change in oil prices has brought some relief, but if one looks closer, one sees a growing shortage of electric power. There is a serious power shortage (defined as the fraction of peak demand not satisfied) in a number of developing countries. A few examples illustrate the magnitude of this problem:

- Philippines: shortage is 20% of demand
- Pakistan: it is over 25%
- Bangladesh: it is about 20%
- India: it is 15%.

Also, in Pakistan the current power deficit is 1,500 MW or 38% of national firm capacity. This deficit will grow to 3,000 MW by 1993. In India the power shortage is as high as 40% in some regions.

This shortage exists in the midst of growing demand. Through the end of the century, demand for electric power will grow by 7% per year in developing countries compared to 2% in the US. The trend of recent years is illustrated by these examples from two countries where there have been recent studies of the power sector:

- In Thailand demand grew from 250 MW in 1961 to 4,800 MW in 1984. Demand will grow by 6% per year through 2000.
- In India power generation capacity grew from 1,712 MW in 1950 to 42,000 MW in 1986. This has been a 9% per year growth rate.

While this growth rate will lead to a doubling of electricity consumption in developing countries during the 1980s, 75% of the population in these countries will still be without electricity. In a few countries where data is available, one can see that only a small percentage of the population has access to electricity:

Kenya	6%
Zaire	2%
Indonesia	16%
India	14%
Honduras	27%

World Bank statistics show how much investment will be required to meet growing electricity demand in developing countries between 1982 and 1992 in billions of 1982 US dollars:

	All Developing Countries	Annual Average 1982-1992
Electric power		
Hydro	238.4	21.7
Thermal	158.7	14.4
Transmission & distribution	201.6	18.3
Other	59.7	5.4
Total	658.4	59.8

Few countries have the resources to build the large expensive power plants that have been their principle source of electric power. On average developing countries are already devoting 25% of their development budgets to the power sector. Typically the World Bank devotes 20% of its loans to the power sector. This has lead in some developing countries to power sector loans accounting for as much as 40% of the national debt. The paying for this debt, as the Committee knows, is a considerable burden.

A Promising Solution

In the midst of this grim picture, there is a ray of light. Over the past two years, a growing number of developing countries have become increasingly interested in promoting private sector investment in electric power generation. Among them Pakistan, India, the Philippines, Thailand, the Dominican Republic, Morocco, and Costa Rica have already studied or are in the process of studying ways to accelerate this trend. These governments see private power generation as one of the alternatives to building large and expensive new power generation plants and a means of reducing public investment and foreign debt in the power sector.

Recent studies by donor agencies indicate that the potential from private power generation is significant. Such non-utility power generally means the utilization of small or renewable resources (hydro, wind, burning of agricultural waste) or industrial cogeneration. There technologies do not involve the construction of expensive utility scale power plants and offer, as in the U.S., real opportunities to alleviate some of the Third World power shortage. These is much relevant U.S. experience in developing cogeneration and small power projects from 500 KW to 20 MW.

Over 50% of electricity demand in developing countries comes from the industrial sector. Potential for industrial cogeneration in most developing countries is 10-15 percent of current national electric capacity. Half of this amount will come from plants to be built in the next 10 years. Considerable potential has been confirmed in three countries:

- In Pakistan the potential for private cogeneration and small power production is 750 MW by 1990 and 1,600 MW by 1993 or 16% of total utility installed capacity.
- In Thailand the potential for private cogeneration and small power production is 725 MW by 1996.
- In India the potential for private power generation exceeds 2,000 MW in only two states -- Gujarat and Maharashtra.

Role for the Private Sector

The **Working Group** is familiar with past U.S. efforts in the energy sector, and we support the concern and effort to direct these efforts to the power sector. We especially support the emphasis on private sector solutions to development problems and to encouraging a role for such U.S. private firms as our own.

The development of private power is a natural outgrowth of U.S. policy to promote private enterprise as the most effective way to assist economic development. For example, AID has been supporting activities in this area, and its private enterprise initiative is based on the experience and research which have shown that increased reliance on private enterprise, individual initiative and entrepreneurship, the encouragement of competition, and reliance on market forces to guide economic progress is essential for sustained, equitable growth.

Among the reasons for encouraging private sector participation in the power sector are the following:

- The private sector has a greater ability to attract technical, managerial, and financial resources than the public sector.
- The private sector is attracted to the large market and the potential for growth.
- The private sector can take advantage of opportunities (industrial cogeneration, small-scale power generation using agro-industrial waste) outside the traditional scope of electric utilities.
- The more efficient use of energy resources and the development of nonconventional indigenous energy sources can reduce a country's dependence on imported fuels.
- Since the private sector is unlikely to undertake financially unjustified projects, it can achieve a higher operating efficiency and profitability and thus reduce the need for government subsidies.

Recommendations from the Working Group

The **Working Group on U.S. Technology and the Third World Power Crisis** supports expanded energy activities within the U.S. foreign assistance program. There is much in the experience of our member companies that can contribute to solutions of the power crisis in the Third World. Many have taken their own initiatives to work on these problems and have sought business opportunities in developing countries. The risks are high and quite different from those encountered when exploring business opportunities in the U.S. These higher risks are also not counterbalanced by comparably higher rewards. Nevertheless, there are actions that this Subcommittee could take to see that more U.S. companies get involved in projects in developing countries, that this involvement is more attractive, and at the same time contributes to helping solve the growing power crisis in less developed countries.

The Working Group does not believe that the solution to the problem lies in grants or loans. We suggest a more businesslike approach to private power sector project development through cost sharing of market development costs, debt service guarantees, political risk insurance, and other means that would create a safer financial environment for the developer, the equity participant (local businessmen or foreigner), and the lender. While many U.S. companies would be willing to assume the technical and operating risks of power generation in developing countries, they are unwilling to assume the risks of not being paid by the central utility or government for the power produced under long-term contracts It is here that a guarantee program could be particularly helpful. A similar program already exists to support privately build, low income housing in developing countries.

Since the early 1960s, AID has operated a Housing Guarantee program which can be used as a model for an energy guarantee program. Under the housing guarantee program, the U.S. Government provides a guarantee to insure U.S private sector lenders against possible defaults. AID charges a fee to cover the costs and to provide a reserve against claim losses. AID also supports the program with technical assistance and training for the public and private institutions that implement the housing programs. To assist the Congress in deciding the merits of an energy guarantee program we would recommend that the Committee direct AID to study the feasibility of such a program and submit its recommendations to the Committee.

We would also like to suggest that AID's authority to assist in the establishment of private investment corporations (currently being implemented in the agricultural sector) could be another way to stimulate more U.S. and developing country private sector investment in Third World power projects. Other specific program initiatives which the Working Group recommends are:

- a comprehensive study to assess the magnitude and costs of the power crisis in developing countries
- feasibility studies of promising innovative technologies and approaches to the power problem
- training programs to familiarize public and private sector personnel in developing countries with U.S. innovative programs applicable to their power problems, and to make contacts between these officials and U.S. private sector parties
- policy studies and "coordinated" policy dialogue to improve the climate for private investment in developing countries
- programs to finance incentives including concessional loans, conditional grants, and, where foreign competitors are active, mixed credits
- collaboration with other U.S. government agencies such as the Export Import Bank, the Overseas Private Investment Corporation, the Trade & Development Program, and others, to apply investment guarantees and finance assistance for U.S. firms.

We feel that the efforts and expenses that have been so far devoted to studies identifying the cause and recommending remedies, can now give way to implementation programs. The participation of the private sector and local or foreign investment will contribute to and encourage the development of small power generating facilities as private businesses. These new businesses using the latest U.S. technologies for cogeneration and local natural resources and agricultural waste as fuel, will alleviate much of the present power shortage.

The **Working Group on U.S. Technology and the Third World Power Crisis** would like to thank the Chairman and the Committee members for the opportunity to present these views these matters.

Statement of the United States League of Savings Institutions Regarding the Housing Guaranty Program Of The Agency for International Development

As the United States' own experience shows, perhaps no other single factor is as important to a nation's political, economic and social stability as homeownership. Broadly based shelter programs with individual and family homeownership as their core offer developing nations the opportunity to build a sound economic base and a social infrastructure that can help bring stability to those areas of the world where stability is so very much needed.

Consequently, the United States League of Savings Institutions supports the Housing Guaranty Program of the Agency for International Development and urges Congress to support this important AID effort at an adequate level in FY 1988 and in future years when more resources will be needed.

The Housing Guaranty Program provides substantial leverage in mobilizing resources to respond to the needs of developing countries for housing. The program has been largely self supporting and Congress has acted twice in the past two years to continue to support the Housing Guarantee Program.

In spite of the program's success in addressing shelter problems in an increasingly urban world and its importance as an adjunct to U.S. foreign policy, the Administration's FY 1988 budget request is at a lower level than authorized in previous years. We respectfully request that the Congress, working with AID to establish appropriate guidelines, continue to fund the program at a level commensurate with the growing needs for housing in the world.

As various reports and studies have long indicated, high unemployment and a low level of economic activity are major concerns of Third World governments. However, creation and support of a shelter program which emphasizes homeownership can go a long way toward overcoming these difficulties.

Much of the population in developing nations is underemployed. But housing construction is a very labor intensive activity which can provide employment for great numbers of otherwise unskilled workers and the economic benefits of an increasingly employed labor pool can be most significant.

Importantly, the benefits spread to other industries. Housing activity requires building materials such as wood, clay, stone and cement. As the demand for these basic materials increases because of growing housing activity, local businesses and entrepreneurs will need to hire more workers -- and formerly unskilled, unemployed citizens whose demand for services places a heavy drain on national governments become increasingly self supporting.

Ultimately, of course, workers who now have "money in their pockets" become consumers, and, with careful government implementation of an overall economic program, spur the growth of local consumer goods industries and retailers.

While there is an obvious economic benefit to homeownership, perhaps the most important benefit is social. As we have seen in the United States and in other developed nations, the home often becomes the focal point of family life. As such, it provides a stability to the members of the family that, when many people own homes, works its way into the nation's social fabric.

Very often, economic growth and social benefit combine to bring political stability to a nation and to a region of the world. Although an enlightened housing and homeownership policy cannot guaranty such an effect, it can be an important factor. In fact, a shelter policy should be a part of any emerging nation's development strategy.

Yet development of a comprehensive shelter policy and its integration into an overall development program can be difficult, especially in lesser developed countries with little, if any, housing and homeownership history. It is at this juncture that efforts such as AID's Housing Guaranty Program can play an important role both in bettering the living standards of millions of people throughout the world and in supporting United States foreign policy.

The United States League of Savings Institutions urges Congress to continue to support -- and to adequately fund -- the Housing Guaranty Program of the Agency for International Development.

Testimony Offered

by

H. Rouse Caffey, Chancellor
Louisiana State University Agricultural Center
Baton Rouge, Louisiana

and

Co-Chairman
International Science and Education Council (ISEC)

and

Member of the National Association of State Universities and
Land Grant Colleges International Agriculture Budget Committee

On Behalf of the

National Association of State Universities
and Land Grant Colleges (NASULGC)

Thank you for permitting me to testify before the Senate Appropriations Subcommittee on Foreign Operations. I am H. Rouse Caffey, Chancellor, Louisiana State University Agricultural Center, Baton Rouge, Louisiana. This testimony is presented not only from the viewpoint of my position as an agricultural administrator in Louisiana, but also as National Co-Chair of the International Science and Education Council (ISEC); as an officer of the Council of Administrative Heads of Agriculture and the 1989 Division of Agriculture Budget Committee of the National Association of State Universities and Land Grant Colleges (NASULGC); and as a member of the NASULGC International Agriculture Budget Committee.

BACKGROUND

U.S. colleges and universities have had a long and successful history in working in international agriculture and in helping developing countries learn to help themselves. We do this because through our U.S. land-grant system, under Title XII of the Foreign Assistance Act, we hold the leading resource of expertise in agricultural education, research and extension and understand the importance of the development of the agriculture sector in economic growth.

Sustained growth is possible only through improving the education and institutional structure within the Third World. Agricultural research, teaching and extension activities and appropriate institutional development are prime factors in increasing food production abroad.

Our interest in the development of the Third World goes well beyond humanitarian ideals. Economic growth in developing countries is clearly tied to the economic interests of the U.S. and the only source of growing export markets for U.S. agricultural exports. Collaborative agricultural research benefits are crucial to the development of improved seeds and vaccines to increase food production and availability in the poor countries, and is mutually beneficial to U.S. farmers as well, through the development of disease-free strains, access to germplasm, and study of pest controls.

Louisiana agriculture is heavily dependent on genetic resources from the international community. For example, the recent improvements in rice yields in Louisiana were the direct result of introduction of new germ plasm from Asia in the Louisiana rice breeding program. Our sugar cane industry likewise has benefited from wider use of genetic materials in the breeding program. Our research community has conducted plant explorations in search of new sugar cane cultivars worldwide, and yet at the same time we can obtain these easily from the international research community. Not only have we benefited in these two commodity areas, but we have also benefited from germ plasm and plant protection data in other crops such as cotton, sweet potatoes, soybeans, forages and grasses, horticultural crops, etc.

In addition to the advances in the plant sciences through an international involvement, Louisiana, a sub-tropical area, has benefited greatly in the animal sciences through germ plasm introduction. We have used not only the English and European breeds, but our most productive beef cattle breed source involves the Brahman breed and crosses between that genetic source and the Hereford and Angus breeds.

Perhaps an intangible benefit involves the exchange of scientific personnel and the fact that in these exchanges, we can attract the best "brains" from other countries as students and short-term visitors. Their contributions, while studying for graduate work or training for short-term special programs, are beneficial to Louisiana agriculture. We have gained through their work here and from their contacts when they return home, both in linkage programs including research programs of mutual benefit, and from agricultural trade development.

CONCERN ON AID's CONTINUED DECREASE OF FUNDS FOR AGRICULTURE

Assistance to agriculture can directly affect more people and has more potential for economic growth than assistance to any other sector in poor countries. However, since 1984, the percentage of funding for agriculture assistance programs under the Agency for International Development's functional accounts has sharply decreased. From 1977 to 1984, development programs under Section 103, Agriculture, Rural Development, and Nutrition were consistently between 53 and 56 percent of all functional accounts. By 1987, the percentage had fallen to 43 percent, and in the FY 1988 request, was below 40 percent.

Moreover, within AID's agricultural programs, the proportion of programs which develop the human capacity and institutions to sustain long-term development is also decreasing. It is the assessment of a recent BIFAD budget analysis that agricultural projects with institution-building elements dropped 21 percent between fiscal year 1986 and 1987, and that request levels for 1988 have dropped another 25 percent.

Four Items Which are of Particular Importance to the Title XII Community.

1. African agricultural university development program

The Senate Foreign Relations Committee has completed legislation which would authorize a new African Development fund, but which has eliminated the functional accounts.

We believe that the long-term solution to Africa's food problem is the development of new agricultural technologies. The need for strengthening agricultural institutions in Africa is especially great. Africa is desperately short of well-trained agriculturalists, and institution building should be a top priority in USAID's efforts in Africa.

To address this need, AID has proposed an African agricultural university development program, a plan developed through careful consultation with BIFAD, the National Academy of Sciences, and others in the U.S. scientific community. The proposal would assist in the development of about eight appropriate land-grant model higher education institutions in Africa by developing existing potential institutions through strengthening their faculties and research capacities, and through long-term linkages of scientific cooperation and exchange with U.S. universities under Title XII. These linkages would be similar to the involvement of U.S. land-grant universities in building agricultural colleges in India in the 1960s—an important component of the Green Revolution in Asia.

We hope that this panel will support the African Agricultural University Development program and that funds will be secured to begin this important effort.

2. Disproportionate cuts in AID's S&T agriculture programs

The current budget situation places severe strain on a number of AID programs, but major cuts in FY 1986 and FY 1987 have put particular pressures on the unprotected centrally-funded programs in the Bureau of Science and Technology and on AID's agricultural research programs.

Funds for agricultural research programs carried out by Title XII universities, such as the Collaborative Research Support Programs and other university research and technical assistance programs have received disproportionately large cuts by AID. These programs have been slashed by 30 percent over the past two years—cut 17 percent in FY 1986 and an additional 13.5 percent in FY 1987 in monthly expenditures—and even further when considering that funding obligation time periods were extended for longer periods.

Science Magazine, in a recent article, noted that while the cuts do not reflect disenchantment with agriculture projects or agricultural research, these programs with heavy science and technology content have been a major loser in the budget crunch. We ask that this Senate panel give careful consideration to these programs.

Not all agricultural assistance programs can be implemented through country programs. Many problems central to increasing food production and improving the welfare and income of the rural poor require long-term commitment and are best tackled through activities which are more effectively and efficiently carried out through the centrally-funded programs within the Office of Agriculture in the Bureau of Science and Technology.

If disproportionate cuts in these programs continue, such programs as the Collaborative Research Support Programs (CRSP), which fund activities by 37 U.S. Title XII universities, as well as other land-grant university research and technical services programs, may no longer be viable, just at a time when the potential payoff in past investments in generating new seeds and technology has become greatest. We ask your consideration in maintaining some core level of stable support for the continuity of these programs.

3. Need for research and technical fellows program

U.S. scientists and technical personnel play a critical role in the development and transfer of technologies necessary for sustained growth in the Third World. There is a diminishing capacity within the agency to respond to these issues. The Board for International Food and Agricultural Development (BIFAD) has noted that probably less than five percent of AID's personnel have some technical competency in agriculture with similar shortfalls in other areas, such as environment and health.

Because we are in a period of severe budget constraint, I propose that the agency develop a fellowship program to assist in rebuilding this capacity within the agency. For only a small investment, the administrator could set up a mechanism to bring in talented scientists for limited assignments where their specific scientific expertise could assist agency programs.

For example, new research continues to be needed in adapting new varieties in food production, for new low-resource methods in sustainable agriculture, in environment areas, and in health areas.

This fellows program could draw upon scientists from U.S. universities an other institutions to serve the agency for short periods in research policy or program management positions, to do research or to provide technical advisory services in these areas, continuing to maintain an international perspective in our U.S. scientific community.

4. Discourage AID requirement for waiver of tuition or fees by U.S. universities

In Senate Report 100-60, the Senate Foreign Relations Committee has approved language which adds a new Section 640D to the Foreign Assistance Act "directing AID to evaluate all contracts relating to educational services at colleges or universities on the basis of the total cost and responsiveness to students' needs, and prohibits any requirement being imposed by AID that institutions of higher education must waive tuition or fees." We would hope that similar language could be included in the committee's bill, in the event that an authorization bill is not passed this year.

SUMMARY

The U.S. universities have an important role to play in international agriculture. Title XII of the Foreign Assistance Act of 1977 provides a vehicle for the long-term involvement of U.S. universities with USAID in appropriate international programs. It has worked well and has proven to be a program of mutual benefit to U.S. agriculture, developing countries, the U.S. universities, and USAID. The erosion, or disproportionate funding, for Section 103 will hamper these successes. We also recognize the importance of funding the African Agricultural University Development Program, restoring cuts in AID's S&T agricultural programs, initiating the Research and Technical Fellows Program, and prohibiting the requirement for tuition waivers. The U.S. university community is ready to assist. Give us a chance. Thank you.

Testimony Offered

by

Harold Matteson, Assistant Vice President
International Programs
New Mexico State University
Las Cruces, New Mexico

Chair, Board for International Food and
Agricultural Development (BIFAD) Budget Panel

and

Chair, National Association of State Universities
and Land-Grant Colleges (NASULGC) International Agriculture Budget Co.

on behalf of the

National Association of State Universities
and Land-Grant Colleges (NASULGC)

First, I wish to express my appreciation for this opportunity to appear before you today on behalf of my colleagues in the more than 100 Land-Grant and Title XII universities throughout the United States.

Let me begin by indicating that we truly understand and appreciate the difficult task Congress has in determining how to appropriately allocate funds from an ever shrinking budget. However, we feel that due consideration needs to be given to the concerns we wish to share with you today. These concerns are fundamental to the accomplishment of the goals and objectives of our government's economic assistance efforts in Third World countries, which I believe should be a concern to all of us. During the past 18 months, I have had an opportunity to chair a budget panel appointed by the BIFAD. The major purpose of function of this panel is to assist BIFAD in its oversight responsibility of AID's programs and budget. As chair, I have become aware of some substantial shifts in funds allocated for U.S. foreign assistance programs.

First, we are concerned with the decline in the funds allocated for our government's bilateral development assistance efforts. Since 1981, in real dollars, funds allocated for development assistance have basically remained constant whereas security assistance has increased by 60 percent. We certainly recognize the need for security assistance in selected countries throughout the world. But, we also believe the long-term effects of development assistance in health, population, education, agriculture and nutrition will have a long-term positive impact on the institutions and people in these countries. These in turn should increase the long-run probability of political stability and the well-being of the people in these countries. In other words, an appropriate balance of development assistance combined with security assistance can contribute to establishing stable and productive governments in countries of strategic importance to us.

Our second concern is the declining percentage of the development assistance budget being allocated to the Agricultural, Rural Development and Nutrition Account. For example, in the late 1970's and early 1980's 53-56 percent of development assistance funds were allocated to the 103 ARDN Account. Today the funding level for this account has fallen to somewhere between 42-44 percent of the development assistance budget. We recognize the importance and need for programs in nutrition, child survival, and family planning. We also recognize that agricultural development is necessary to support and sustain the accomplishments of these programs. It doesn't make sense, for example, to prevent the death of babies and young children through an oral hydration program if they do not have adequate food and proper diet to prevent starvation or debilitating diseases. We also believe that economic and development assistance to agriculture can directly affect more people and provide more economic growth than can assistance to any other sector in developing countries.

Our third concern relates to the way development assistance funds are allocated within the Agricultural, Rural Development and Nutrition Account. Specifically, we are concerned with the decreasing emphasis on projects which focus on the development of institutions for agricultural education, extension, research, and policy analysis. We recognize the need for spending a portion of AID's budget for short-term projects and activities which have short-term payoffs. But, we also believe that equal consideration should be given to institutional development efforts which have long-term and lasting payoffs. These institutional development activities are essential for the economic and agricultural development of Third World countries.

For example, we have seen the tremendous impact the development of agriculture research, extension and higher education institutions have had in the countries of India and Brazil. In 1966-69, I had the good fortune of serving on an AID sponsored, University of Wisconsin program at the Federal University in the State of Rio Grande de Sul, Brazil.

In 1978, I visited the Federal University in the State of Rio Grande de Sul where we had assisted in the development of graduate training programs in various agricultural disciplines and was most pleased and impressed with the way the program we had helped initiate continued to grow and improve since the completion of our contract.

We believe that the development of sustainable institutions in agricultural education, research and extension similar to those developed through AID sponsorship in Brazil and India are necessary ingredients for the long-term growth and development of less developed countries. It is for this reason we support AID's institutional development initiative in Africa where funds will be used to improve the agricultural graduates and research programs at selected universities and institutions.

We firmly believe that the development of indigenous capacity to train needed manpower and generate and transmit relevant knowledge and technology will be an important element in the long-term economic growth and development of the African countries. For this reason, we ask this committee's support for the proposed plan to develop the African Agricultural University Development program.

In conclusion, we believe that the current budget situation has resulted in a disproportionate cut in development assistance funds in our government bilateral assistance programs. Further, these cuts have been reflected most seriously in the Agricultural, Rural Development and Nutrition Account where institutional and human resource development programs have received a substantial cut. Thus, we ask that our concerns and reasons for these concerns receive due consideration by this committee as you determine appropriation priorities for FY88.

Statement By

Henry L. Walther
President
UNITED STATES DEFENSE COMMITTEE

Mr. Chairman:

My name is Henry L. Walther and I am President of the United States Defense Committee.

The United States Defense Committee is a public interest organization dedicated to a strong national defense and foreign policy.

We are an organization of over 146,000 Americans from all walks of life.

As an organization, the United States Defense Committee believes that American taxpayers' money should be spent to further, and certainly not hinder, the U.S. national interest.

This is as true for money spent on domestic agencies as it is for bilateral aid and contributions to multilateral organizations.

The fact is that, in many cases, this criterion is not met.

My remarks today, will focus on three points; the need for increased military aid to Central America, the misspending of American bilateral aid in countries like India and Greece, and the funding of anti-American radicals at the United Nations.

I urge this subcommittee, in the strongest possible terms, to carefully weigh U.S. interest when doling out American taxpayers' dollars to foreign governments and international institutions.

Nowhere is U.S. interest more clear, and can U.S. dollars be more effective than in Central America.

There is in Central America a clear and definite threat; that is, the Soviet-armed, Communist regime in Nicaragua.

There can be no doubt that Soviet-armed and Cuban-trained Sandinistas intend to export their Communist revolution throughout Central America.

In fact, the Sandinistas have made no secret of their intention to spread a "revolution without borders" and have announced their intention to build a 250,000 man army.

Already, the Sandinistas have 120,000 men under arms, backed by over $600 million in Soviet weapons and some 10,000 "advisors" from Cuba, East Germany, Bulgaria and North Korea.

This force is larger than the armed forces of neighboring Honduras, El Salvador, Costa Rica and Guatemala combined.

The spread of Soviet-armed Communism promises not only oppression and poverty in Central America and Mexico, but a tidal wave of refugees fleeing to the U.S.

According to a congressional briefing paper prepared by H. Eugene Douglas, U.S. Coordinator for Refugee Affairs, if Central America and Mexico fall more than nine million refugees can be expected to flood into the U.S. At an average annual cost of $4,500 per refugee, this would cost over $40 billion per year.

In addition, a Communist Mexico could station a million hostile troops along the U.S./Mexican border. The cost of fortifying and garrisoning the U.S. southern border would be an extra $50 billion a year.

Geographically, Central America and the Caribbean border are strategically vital maritime passages. Through these choke points travel nearly two-thirds of America's foreign trade and one-half of America's petroleum.

Ninety-seven percent of the manganese, ninety-three percent of the bauxite and seventy-six percent of the nickel -- minerals essential to America's aerospace and communications industries -- pass through these waters.

And in a European crisis, at least half our supplies for NATO would be shipped via these "choke points".

If these sea lanes were to be shut down by anti-American forces -- and it is in this light that the liberation of Grenada is so important -- the U.S. would not be able to meet its needs at home nor its commitments abroad.

Clearly, maximum military aid for the pro-American Contras is a necessary link in U.S. national security.

It is, however, only half the equation.

Even as pro-American regimes in Latin America are begging for the bare minimum of aid, the U.S. is generously funding regimes that actively oppose the U.S.

For example, while pro-American Chile -- with a free market and open opposition press -- received less than $20 million from PL-480 U.S. foreign aid programs between 1983 and 1987, the Communist government of Mozambique -- whose army is trained by North Koreans and East Germans, keeps tens of thousands in so-called "reeducation camps" and has devastated its economy subjecting millions to famine -- received over $226 million in the same period.

Since 1981, India received over $1.392 billion in aid -- the majority of which was in grants.

While looking to the West for technology and trade, Indian Prime Minister Rajiv Gandhi looks to the Soviet Union for military equipment and actively promotes their anti-American line.

It is hard to see the advantage in sending hundreds of millions of dollars to a country which, while proclaiming itself "nonaligned", actively supports Soviet foreign policy and is militarily dependent upon Soviet aid.

Similarly, it might well be time to reconsider the nearly one-half billion dollars a year in military aid given to the anti-American, socialist government of Andreas Papandreou in Greece.

Papandreou's rhetorical affronts are well-known: He has referred to Israel as a "Nazi-state"; taken up the Soviet line that KAL 007, brutally shot down with over 200 aboard by the Soviets, was a spy plane; has lauded Polish dictator Jaruzelski as a great leader; and repeatedly has stated his intention to close U.S. bases and pull Greece out of NATO.

Other countries can be singled out as well. Generous grants to the corrupt, socialist regime in Burma and to the Soviet-aligned state in Zimbabwe come to mind.

It is an outrage that Central American states bleed on the front line of Soviet supported insurgencies, even as many richer nations pocket U.S. taxpayers' dollars while blasting American policies and America itself.

U.S. bilateral aid is, all too often, a mish-mash of misplaced priorities.

But as questionable as are the priorities of the U.S. bilateral aid program, the multilateral aid program is in even worse shape.

And virtually nowhere are U.S. dollars more clearly misspent than on the United Nations.

While the United Nations was founded upon the highest hopes of the post-war era, it has deteriorated to a place where U.S. actions and allies are denounced, our enemies funded and our shores legally infiltrated by hundreds of Soviet-bloc intelligence agents.

I am convinced that the American people are tired of paying one-quarter of the U.N. budget, over $1 billion as of 1984, only to be the target of anti-American abuse.

The poor treatment the U.S. receives at the U.N. is further compounded by the fact that the U.N. is only required to report on its budget to the U.S. Congress once every two years.

This bi-yearly budget process makes it extremely difficult for the U.S. to obtain up-to-date accounting on the funds given to the U.N. for each year.

In fact, this year, the U.N. will be reporting on its 1985 - 1986 budgets a full two years behind the congressional budgetary process which is already working on the U.S. contribution to the U.N. for 1988.

The growing anger of the American people over the issue of U.N. funding is further exacerbated by the fact that the Soviet Union paid only $145.2 million to the U.N. in 1984 and is over $200 million in arrears.

Meanwhile the Soviet Union has three votes in the U.N. General Assembly, (one for Byelorussia, one for the Ukraine and one for the Soviet Union proper) while the United States has only one vote.

I urge this subcommittee to carefully examine the activities of the United Nations and move to make major cuts in U.S. funding of the United Nations.

I am convinced that in careful examination of the record you will agree that only by making major cuts in U.S. funding might it be possible to effect any meaningful reform in the U.N. and put the anti-American radicals on notice that their actions will no longer be tolerated.

Too many times in the past has American goodwill and taxpayers' money been used to humiliate the U.S. and to work against the national interest.

Barely one week after the U.S. liberation of Grenada, the U.N. voted 108-9 to "deeply deplore" the U.S. action.

In fact, the U.S. was not even permitted to make a statement before the vote.

However, after six years the U.N. has yet to condemn the Soviet Union by name for its brutal invasion and occupation of Afghanistan.

The Soviet Union's three votes, coupled with those of the Communist East-bloc and Third World dictatorships, form a majority in the U.N., allowing the anti-American line to pass nearly every time.

In addition, this majority votes to give U.N. money -- one-quarter of which comes from American taxpayers -- to Communist, Soviet client states such as North Korea, Nicaragua, Cuba and Vietnam and terrorist organizations like SWAPO, ANC, and the PLO.

Over the years 1981 to 1984, one U.N. agency sent over $13 million to North Korea, $7 million to Nicaragua and $18 million to Laos.

During the same period, this agency sent $2.4 million to SWAPO, $2.9 million to ANC and nearly $10 million to Cuba; thereby directly aiding the Soviet plan to gain control of all Southern Africa and threaten the NATO allies with economic strangulation.

The most outrageous use of U.N. funds is probably the $200 million the United Nations Relief Works Agency (UNRWA) budgets each year for Palestinian "refugee camps", which is in turn used to support the PLO.

According to Edward Ghorra, former Lebanese Ambassador to the U.N., the PLO has transformed most, if not all, the refugee camps into military centers for the training of mercenaries sent and financed by other Arab states.

Former U.S. Ambassador to the United Nations Jeanne Kirkpatrick, in testimony before the Senate Committee on Governmental Affairs, stated that funds spent by the UNRWA and the Committee on Palestinian Rights are just as available to Yasser Arafat as if they were simply transferred by bank draft.

Not only is American taxpayers' money going directly and indirectly to U.S. enemies abroad, but it is supporting spies in the United States -- spies that are protected by diplomatic immunity.

The Soviet Union has more than 180 U.N. "diplomats" and nearly 350 U.N. Secretariat employees in New York City.

The restrictions placed upon Soviet and other anti-American nationals at the U.N., even the restrictions recently enacted by the State Department under a mandate from Congress, are far from effective.

The rules require U.S. approval for travel beyond a 25 mile radius. However, this often amounts to little more than mere notification.

As former U.S. alternate to the U.N. Charles Lichenstein notes, it is not difficult to evade the travel restrictions: "you only have to march onto the Eastern (Airlines) shuttle, pay your 70 bucks....and who knows who you are?"

The Soviet spies especially target U.S. businesses and researchers that operate at the cutting edge of high-technology. By stealing this technology the Soviets have managed in the past, and hope in the future, to upgrade their massive military arsenal forcing the U.S. and its allies to pump billions of dollars more into their own defense programs.

Unbelievably, U.S. taxpayers' dollars actually go to the Soviet Union.

Though according to U.N. rules, U.N. Secretariat employees are international civil servants employed directly by and with the United Nations, Soviet employees at the Secretariat are also assigned a Soviet civil service rating and are paid by the Soviet Union.

The Soviet employees are then required to turn over their U.N. pay, which can be as much as $90,000 per year higher than Soviet pay, to the Soviet Union. This practice nets the Soviet government about $20 million per year.

The American taxpayer is, therefore, effectively giving the Soviet Union $5 million per year while employing Soviet spies to boot!

The American people are sick and tired of sending over one billion dollars to the U.N. only to be treated as a whipping boy in return.

Only under the threat, and fact, of serious cuts in U.S. funding can the radicals at the United Nations be made to understand that their anti-American bias will no longer be tolerated nor funded by American taxpayers.

As long as the Soviet Union retains three votes in the U.N. General Assembly, I urge this subcommittee, in the strongest possible terms, to appropriate no more than one-third the amount of Soviet assessed contributions.

At the very least, U.S. contributions of taxpayers' money should not exceed Soviet assessed contributions.

I believe that American aid has been seriously misspent in the past.

I, therefore, strongly urge this subcommittee to carefully consider the national interest of the U.S. when appropriating funds this year.

No longer should American taxpayers be asked to fund anti-American governments and radicals at the U.N.

No longer should Central Americans be forced to bleed nor American taxpayers be forced to face a potential tide of refugees simply because Congress refuses to supply the military aid anti-Communist Central Americans need to defend themselves.

It is high time to spend American taxpayers' dollars wisely.

Statement of
The Associated General Contractors of America
On the Topic of
Agency for International Development Programs in Egypt

The Associated General Contractors of America (AGC) represents more than 32,500 firms, including 8,000 of America's leading general contracting companies. These member firms are responsible for the employment of more than 3,500,000 individuals and perform more than 80 percent of America's contract construction of airports, highways, commercial buildings and industrial and municipal-utility facilities. They also perform approximately 50 percent of the contract construction by American firms overseas.

AGC welcomes this opportunity to comment on Agency for International Development (AID) construction programs in Egypt.

The AID program in Egypt is the largest currently being undertaken by AID anywhere in the world. The program for development projects alone (in Egypt) is currently funded at a level of approximately $500 million per year. Much of this is going into badly needed infrastructure work, particularly sewerage, which yields many tangible "quality of life" benefits for the Egyptian people.

Bidding on most AID-funded infrastructure projects in Egypt is restricted to U.S. contractors or U.S. and Egyptian contractors. AGC strongly supports such restrictions on bidding and believes that, in view of the fact that AID programs are paid for with U.S. tax dollars, to permit foreign contractors to benefit from these programs would be a disservice to the American taxpayer.

A 1985 Price Waterhouse study commissioned by the International Engineering and Construction Industries Council (IECIC) documents the substantial benefits to the U.S. economy of U.S. exports of architectural, engineering, and construction (AEC) services. The study determined that AEC exports in 1983 resulted in a return of $11 billion to the U.S. economy, were responsible for 261,000 American jobs and generated more than $1 billion in federal income taxes. A copy of this study is enclosed.

Despite a strong interest on the part of American contractors in bidding on AID projects in Egypt, participation in such projects has proven to be a mixed blessing for many of the companies involved. The basic problem is that certain Egyptian government agencies, with which the American firms have contracts, have failed to live up to their contractual commitments. As a result U.S. contractors have, in many instances, incurred significant additional costs not covered by their contracts, as well as major payment and project delays. Among the most significant specific problem areas are the following:

- o Inconsistent social insurance assessments
- o Refusal of owners to accept warranty and maintenance obligations
- o Owner coercion of the engineer
- o Delays in obtaining necessary permits and rights-of-way
- o Delays in processing change orders
- o Ineffective arbitration procedures
- o Interference by owner personnel

Attached to this statement are copies of two reports prepared by a group of American contractors engaged in AID-funded work in Egypt -- the Joint Committee of American Contractors in Egypt (ACE) -- which detail these and other problem areas. AGC strongly supports the efforts of ACE to obtain equitable treatment for

U.S. contractors on their Egyptian contracts.

Cash Transfers

According to AID and State Department officials, future funding for AID's infrastructure program in Egypt is in jeopardy. Egypt is pressuring the U.S. government to increase the portion of U.S. foreign aid funds that it receives in cash. An increase in these so-called "cash transfers" could mean a drastic reduction in the funds available for AID development projects.

There is no apparent accountability for funds provided on a cash transfer basis, which are in essence donated with "no strings attached" by the American taxpayer. What assurances do we have that these dollars are being used for legitimate purposes? What benefits accrue to the U.S. or to the American citizens providing these funds?

A January 1987 General Accounting Office report (No. NSIAD-87-70) entitled Foreign Aid: Potential for Diversion of Economic Support Funds to Unauthorized Use expresses concern regarding the accountability for AID funds provided to developing countries as cash transfers. Specific concerns identified in the GAO report include:

- "Many cash transfers have been commingled with other recipient government revenues, which has made a specific accounting for some of these resources impossible.
- " AID operates in an environment which makes the funds it administers vulnerable to misuse without detection. It must rely on recordkeeping by recipient country institutions beset by administrative weaknesses and must monitor projects and commodities at remote locations and large numbers of sites.
- "Weaknesses exist in AID's implementation of the controls it has placed over economic assistance programs, including ESF [Economic Support Fund], and in the recipients' compliance with agreed upon controls."

AGC strongly opposes any increase in the level of cash transfers to Egypt.

Recommendations

In conclusion, AGC has the following recommendations with respect to the AID-funded construction program in Egypt:

1) The current system of host country contracts should be changed to direct AID administration, through construction contracts between AID and the American contracting firm. Alternatively, contracts could be managed for AID by another agency, such as the Corps of Engineers, or by a privately retained construction management firm.

2) With regard to the existing contracts between Egyptian government agencies and American contractors, AID, as the agency of the United States government responsible for implementing the Foreign Aid program, must become more directly involved in contract administration to insure that the process, and hence the program, is cost effective, and is fair to the participating American contractors.

3) Funding for AID development projects in Egypt should be maintained at current levels.

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR FISCAL YEAR 1988

FRIDAY, AUGUST 7, 1987

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9 a.m., in room SD–192, Dirksen Senate Office Building, Hon. Daniel K. Inouye (chairman) presiding.

Present: Senators Inouye, Leahy, DeConcini, Lautenberg, Harkin, Mikulski, Stennis, Kasten, D'Amato, Specter, and Nickles.

DEPARTMENT OF STATE

SECRETARY OF STATE

STATEMENT OF THE HONORABLE GEORGE P. SHULTZ, SECRETARY OF STATE

ACCOMPANIED BY:

- JAY MORRIS, ACTING ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT
- ANN WROBLESKI, ASSISTANT SECRETARY OF STATE FOR ANTINARCOTICS AFFAIRS

OPENING REMARKS OF SENATOR INOUYE

Senator INOUYE. The subcommittee will please come to order.

Good morning, Mr. Secretary.

Secretary SHULTZ. Good morning, Mr. Chairman.

Senator INOUYE. This morning, the subcommittee will conclude its fiscal year 1988 hearings on the President's request for funding of foreign assistance and related programs. With us today, to provide an overview of that request and to discuss the foreign policy objectives which our economic and security assistance programs are designed to serve, is the distinguished Secretary of State, Mr. George P. Shultz.

Early this year, the subcommittee decided it would request that the Secretary provide his views on foreign assistance funding and policy objectives at the conclusion of our hearings. We did so for two primary reasons.

First, such a schedule would provide our newer members an opportunity to examine and study the many programs under the subcommittee's jurisdiction and to be better prepared to direct questions to the Secretary.

Second, having the Secretary offer justification for the President's request at the end of our hearings would enable members to consider the Secretary's thoughts on the current policy context—and, I might add, budgetary context—for the foreign assistance programs which they would soon measure in subcommittee markup of the fiscal year 1988 bill.

I believe events have shown that the subcommittee was right on both counts. Several of our new members have exhibited a fresh interest in the foreign assistance programs and have made an effort to improve their understanding of them. I would note that several of them have been of great assistance to me, assuming my duties in the conduct of these hearings, when my presence was required at other hearings.

In addition, I would note that although our foreign assistance programs are intended to serve the long term objectives of the United States, the context within which those objectives must be pursued is quite different today than it was when the request we will soon vote on was presented in January.

Our budgetary resources are tighter now than they were then; the realities in the external world which these programs must address are also considerably different now than they were in January.

When they vote, the members of the subcommittee will have the benefit of a current policy statement from the Secretary and they will know these programs fit within the overall budget.

INTRODUCTION OF SECRETARY SHULTZ

Mr. Secretary, it is always a great pleasure for me to welcome you to these hearings. We have much of importance to consider and much of significance to accomplish. I am confident that working together, we can decide what is right for our country and we can achieve what we must achieve if our Nation is to remain a leader among nations in responding to humanitarian concerns and in defending freedom.

The subcommittee has received and reviewed your full prepared statement. If it is your wish, it will be included in full in the record of today's hearing. We have heard from your subordinates and your colleagues in the administration. We have heard from them, but you, sir, will have the last word.

If you would care to summarize your prepared remarks, as you have so indicated, we can proceed with the questioning. But before we do, I would like to take special note of the cooperation and assistance I have received from the former chairman of the subcommittee, my good friend Bob Kasten, who is also caught in a traffic jam.

Senator Kasten has been an effective champion of foreign assistance programs of this administration. You and I, Mr. Secretary, will need his continuing support and encouragement, so I think that we had better be very good to him.

Mr. Chairman, would you care to make a statement, sir?

Senator STENNIS. No, thank you. I am here to listen.

Senator INOUYE. Then, Mr. Secretary, it is your show, sir.

OPENING REMARKS OF SECRETARY SHULTZ

Secretary SHULTZ. Thank you very much, Mr. Chairman, and members of the committee. I appreciate the chance to be here and to give you my views about what I regard as a genuine crisis in our foreign policy due to the very great reductions in the resources that are available to us.

I would like to take you up on your offer and file, for your records, the full statement that goes into a considerable amount of detail, and just briefly outline my views to you, and then we can have discussion.

Senator INOUYE. Fine, sir. Without objection, your full text will be made part of the record.

INTRODUCTION OF ASSOCIATES

Secretary SHULTZ. I am joined here by Mr. Morris, who is, as of midnight, the Acting Administrator of AID, and by Mrs. Wrobleski, who is our Assistant Secretary in the State Department in charge of antinarcotics work. She is doing a wonderful job at that, and I don't believe there was an opportunity for her to testify on her program before your committee, so I asked her to be here this morning.

PURPOSES OF FOREIGN ASSISTANCE

We have a set of programs that are under your review that often are referred to as foreign aid. As I have studied them, worked with them, it seems to me that that pair of words does not describe at all what this money is used for. As I see it, these funds, these resources that are made available by the Congress are used, first of all, to support the security interests of the United States.

They go to help countries which are our friends and allies, often countries with which we have formal alliance relationships, or where we have important and strategic bases. So it is extremely important for the security of the United States that these funds be available.

Second, these funds go to help the prosperity of the United States. Our country is heavily integrated into the world economy, much more so than in the past. We are a huge part of that economy. We are about a quarter of it, the biggest single entity within it. Yet, we are affected by it just as we affect that economy. So when we use funds to promote a healthy world economy, we are also promoting a healthy U.S. economy.

Third, these funds go to help promote our values, and we have seen in the past decade a really remarkable movement in the world toward freedom, toward democratic forms of government, toward respect for the rule of law. It is a struggle. And often what has been created has great fragility to it, and certainly is challenged by insurgencies, often communist supported insurgencies. Nevertheless, we can see throughout our hemisphere—in South America and Central America—we can see in Asia also clear movements in the direction of the values that we live by and believe in.

As a matter of fact, we can even see, in the major communist countries, at least a little awakening to the fact that a continued pattern of suppression just doesn't work in this modern day and age. So they are experimenting, trying to figure out a way to move a little bit in the direction of more openness and more freedom. Whether they will succeed or not remains to be seen.

It is very important to us that these values are sustained, not simply because we like to see other people enjoy the fruits of freedom—we do—but because a world where people have governments that are responsive to their people, governments that live by the rule of law, that kind of world is likely to be more stable and less threatening to our interests and, therefore, good for us.

These resources also go to fight terrorism. We know a lot about that now, a lot more than we did a few years ago. The problem, unfortunately, remains of critical importance. Nonetheless, we have made real headway. The money goes to fight drug trafficking. And again that is a huge problem, a very difficult problem. But we have learned about it and we have made headway.

Those are the purposes served by this money. It is aid in the interests of the United States. And I think that it is vitally important.

DECLINING LEVELS OF FOREIGN ASSISTANCE

What we have seen in recent years is a very heavy reduction. There was an increase through the early 1980s, and in fiscal year 1985 these appropriations came to $20.9 billion. That included a large supplemental of about $2 billion oriented to the Middle East, and a major food aid supplemental for Ethiopian famine relief. If we take that $2 billion increment out, we are still at about $18 billion.

Since then, it has been cut drastically. In fiscal year 1986, it dropped to $14.4 billion, and in the current fiscal year we were operating at about $1 billion less than that, before the supplemental was enacted.

I might just pause to say that I appreciate very much the constructive and skillful work of this committee in working on that supplemental, which has helped us a great deal.

The fiscal year 1988 budget that you are now considering is going to be much further constrained from all indications of budget resolutions. I understand that this committee has been allocated approximately $13 billion for foreign assistance. That is compared with $18 billion 3 years ago. I think you also have to factor into that the fact that while, fortunately, inflation has been moderate, still there has been some. We have to factor into that that the value of the dollar in comparison with other currencies has changed a lot.

Of course, we always have to keep in our minds the fact that certain of these accounts don't get cut. I am not arguing that they should, but they don't get cut. That is the reality. So there is a fixed amount that flows through this total. If you have a fixed amount, and a declining total, everything else just gets squeezed to the point where you are sort of left helpless.

So we have a very, very large problem, and what this problem amounts to is that we further cut into our base rights commitments, which we certainly don't want to do. We want those bases. We have undertaken, with those countries, to provide funds. And we are not doing it. We are likely to wind up zeroing out assistance to several countries where we enjoy military access agreements such as Kenya, Somalia, Oman, and Morocco. I hope that we don't have to do that.

We are in deep trouble with programs in Sub-Saharan Africa, South America and the Caribbean, and South and East Asia. Then we have big arrearages developing in the multilateral development banks which, as we see it, ought to be playing, and are trying to play, a key role in the evolution of the so-called "Baker Plan," which is widely accepted. It needs help from these banks.

I know the State Department budget as such is not under your jurisdiction, but it is also being cut heavily. What it amounts to is the appearance of a kind of withdrawal from the world by the United States at a time when our values and our ideas are on a roll, and where, at least in my opinion, there are some very important, big changes taking place in the strategic and economic structure of the world, changes that we need to be engaged with so that they are made to work, as much as possible, in our interests.

I recognize that you are under constraints, and that you are probably as uncomfortable with this situation as I am. I would like to sit here and say to you: We just have to do something about this total that has been allocated to you, which I am struggling with. I don't like it. I would like to see something done about that total. But there it is.

Nevertheless, there are some things within the framework of the total that I hope the committee will look at carefully.

GUARANTY RESERVE FUND

First of all, there is the FMS Guarantee Reserve Fund. The Budget Committees, and the House Appropriations Committee have allocated $532 million for this fund.

It is Treasury's Federal Financing Bank that gets reimbursed out of this Fund. Treasury, DOD and ourselves have worked at this, and we believe that there is no need to put that money in the Fund, that the Federal Financing Bank can be replenished properly, legally as the time comes, and that it is not necessary to do that.

If the Congress requires that this $532 million go in there that is, in a sense, reducing the amount that we can actually use. So I think that it is one place to look to see if there isn't something that can be done to relieve the extreme pressures that this total puts us under.

NEED FOR FLEXIBILITY

Second, I would plead with you to give us as much flexibility as you possibly can in administering these funds. I recognize fully that there are imperatives in your mind, just as there are imperatives in ours. But when you have a very, very restrictive situation, I think it means that you need to have as much elbow-room as possible in dealing with it, not only initially but as time goes on.

As you pointed out in your opening statement, Mr. Chairman, things change, and we have to be able to look at those things and shift to some extent. So I would plead for flexibility. This committee was very helpful last year in providing flexibility, and we are prepared to work with you and look for ways in which we can do things that will make this money go as far as we can possibly make it go.

Mr. Chairman, these are my opening comments. I think we do have a very serious problem.

You are very well aware of the fact that we are practically at the bottom of the pile among developed countries when it comes to the proportion of our GNP that we allocate to purposes such as these. I think that we should judge what we do by our own standards, not by what other people do. But it is worth noting that the Soviet Union, with about 45 percent of our GNP, plows over twice the resources represented here into their own military and economic programs. Not that we should judge ourselves by what they do. But it shows the extent to which they are pushing in these areas.

I do believe, Mr. Chairman, that we have a genuinely major problem on our hands. We have great opportunities for our country. And great interests all around the world. And we are simply not getting enough resources allocated for serving those interests. But within the framework that you have been given, and that we are working within, I have tried to present a couple of suggestions. Of course, you know, from the President's budget, how we would intend to proceed if we had greater funds.

Thank you, Mr. Chairman.

[The prepared statement of Secretary Shultz follows:]

PREPARED STATEMENT OF HON. GEORGE P. SHULTZ
SECRETARY OF STATE

I am here today to talk about our foreign assistance requirements for Fiscal Year 1988. I want to convey to you my deep concern about the major foreign policy crisis we are creating for ourselves. There is a serious mismatch between our foreign policy goals, interests and commitments on the one hand, and, on the other, the resources at our command with which to pursue those goals and interests and honor our commitments.

The United States is -- by necessity as much as by choice -- a world leader with wide-ranging global concerns. Dealing with these concerns requires a mix of diplomatic, economic, and military tools, and the resources to employ them effectively. We cannot remain a first-class world power by committing fewer resources to our foreign relations than our adversaries do. Nor can we maintain our political, economic, and humanitarian values in a dynamic and threatening world environment through the strength of our military power alone.

Since 1981, we have made substantial progress toward reinvigorating our economy, restoring our military capabilities, and strengthening our ties with friends and allies the world over. As a result of our efforts:

-- Our NATO alliance is strong and vital. Its steadfastness has convinced the Soviet Union to endorse the INF position we laid out nearly six years ago. For the first time in history we now have good prospects for eliminating an entire class of nuclear weapons.

-- We and our NATO allies have been able to engage the Soviet Union in a new high-level dialogue -- not just on arms control, but on all the issues that divide us. Few of these issues have been fully resolved. On the other hand, there is evidence that the Soviets, however grudgingly, have come to better appreciate the strengths and promise of more open political and economic systems.

-- We have supported a remarkable resurgence of democracy, most notably in Latin America, where the percentage of the population living under freely elected governments has grown from 30 percent in 1979 to more than 90 percent today. Democracy has also made great strides in the Philippines, in the Caribbean, in South Korea, and throughout the developing world.

-- With our support and that of other donors, the developing countries are also making impressive progress in their efforts to achieve a better standard of living for their people. Obviously, the development process is far from complete. Much remains to be done by the developing countries themselves, by donor and creditor countries and by private financial, industrial and agricultural interests in the developing and developed countries alike. But we should not overlook the fact that solid progress has been made.

-- We have also seen an encouraging trend toward greater confidence in free market-oriented solutions to the problems of economic growth. We now find, almost everywhere in the world -- including the communist world -- movements to decentralize, deregulate and denationalize. The economic and social achievements of many developing countries are in no small measure a result of their growing appreciation of the dynamic role which the private sector can play, and their willingness to develop an environment in which it can flourish.

All of this represents important, dramatic progress. But there is still much to be done. The world remains a dangerous place. Precisely because foreign affairs issues do not lend themselves to quick fixes, Americans have to be prepared to tackle them on a steady, long-term basis and to support consistently the professional foreign affairs infrastructure to do so.

Are we prepared for this? Unhappily what has been happening to the foreign affairs budgets seems to indicate the answer is "no". The foreign affairs budget has taken two consecutive years of major cuts. And the budget resolution for FY 1988 threatens further serious cuts.

Let's look at the foreign operations appropriations legislation since FY 1981. In that year and the next, you appropriated $15.5 billion, including FMS guaranties and Eximbank direct loans but excluding IMF replenishments. In FY 1983, the figure jumped to $17.2 billion, and then $17.9 billion in FY 1984. In FY 1985, we hit our high water mark -- $20.9 billion. That figure included a large supplemental of over $2 billion for the Middle East countries as well as a major food aid supplemental for Ethiopian famine relief. Even if we exclude these one-time special cases, our baseline appropriation for this bill hovered around $18 billion.

What has happened since then? In FY 1986, the first year of Gramm-Rudman, we dropped to $14.4 billion. In the current year, FY 1987, we were operating with a billion dollars less than that, before the supplemental was enacted. I might pause at this point, Mr. Chairman, to thank you and Senator Kasten for your efforts in making the supplemental possible.

So we are now working with FY 1987 resources totalling just under $13.9 billion. Yet what is the effect of the FY 1988 Congressional budget resolution? To reduce that level by another $700 million to $13.2 billion.

We now face the stark possibility that we will be unable to meet our basic foreign policy objectives because of the resource constraints.

Let me talk about those objectives and give you some concrete examples of how we use resources to help achieve them.

National Security

Let's start with our national security. We face the choice of defending ourselves alone -- and at tremendous cost -- or working with allies who share our values and who face the same adversaries we do. Since 1945, U.S. Administrations have chosen the latter course.

Our country's alliances are based on a sharing of risks and responsibilities. The Soviet challenge is global. Its military machine stands poised down the middle of Europe; pursues its invasion of neighboring Afghanistan; and actively arms and supports repressive regimes in Eastern Europe, Indochina, Ethiopia, Cuba, and Nicaragua.

Some of our allies, both in NATO and in the developing world, lack the resources to provide for their own security concerns while simultaneously responding to the basic economic needs of their own people. Because we know they must do both if they are to survive and grow, we must help them finance the modernization of their armed forces. Over the years we have made commitments to do so. Yet with the resources made available this year we cannot meet these commitments.

For example, we have had to slash assistance to Spain by 73 percent this year; assistance to Greece and Turkey is already hundreds of millions of dollars below the levels necessary if they are to meet their NATO commitments; for Portugal, our assistance is over $50 million below the "best efforts" commitment we undertook when we signed a base access agreement. The story was much the same for the Philippines, where we had to reduce our military assistance program by 50%; fortunately, however, thanks in large part to this subcommittee's efforts, Congress appropriated the funds needed in the FY 1987 supplemental.

The reductions under consideration raise fundamental doubts about U.S. dependability and risk the loss of vital military and port facilities. Without our friends and allies, and their facilities, we would have to spend a great deal more on defense and bring many more of our citizens under arms, even though we would get less security than we have today.

Therefore, we requested $2.1 billion in security assistance for the base rights countries to help modernize their military forces and -- for Portugal, Turkey, and the Philippines -- to assist them in dealing with their economic problems.

The Middle East is crucial to the United States. Our security and economic assistance programs to Israel and Egypt play a key role in supporting the Arab-Israel peace process. So too does assistance to close friends such as Tunisia, Jordan, and Morocco. Earmarks have protected our programs in

Israel and Egypt. However, assistance to Tunisia, Jordan, and Morocco this year had to be cut by 35%, endangering the security of friendly countries in an unstable area. Such cuts complicate our efforts to play an active, constructive role in resolving the complex issues of the region and in checking the spread of Soviet influence. For 1988 we have requested $200 million in military and economic assistance for Morocco, Jordan, and Tunisia.

As part of our policy of promoting peace, stability and development in the Middle East, we are intent on maintaining our commitment to the American University of Beirut (AUB). Situated in a country split asunder by violence and racked by extremism, AUB is a force for peace and reason. We cannot allow it to fail.

Central America is of vital importance to the United States because of its geographic proximity and strategic position.The strategic stakes are clear: whether we will permit the Soviet Union to acquire real power in the region from Mexico to the Panama Canal; whether we will permit the Soviet Union to sit astride our lifelines, not only to South America but to Europe and the Pacific. U.S. policy seeks to counter this challenge by promoting security, democracy, economic development and social reform. For those purposes we sought approximately $1 billion in our FY 1988 budget request.

Promoting U.S. Prosperity

Let me turn now to the second great goal of U.S. foreign policy: promoting domestic prosperity. Americans have long believed that their prosperity is largely determined by the monetary and fiscal policies we pursue at home. The fact is that economic conditions abroad also have a crucial and growing impact on the health of the American economy.

I am not just speaking of conditions in Western Europe and Japan, important though they may be, but also of the developing countries. These countries take about 40% of our exports. One out of every 20 workers in our manufacturing plants and one out of every 5 acres of our farm land produce for Third World markets.

The accepted rule of thumb is that every $1 billion of U.S. production for export creates about 26,000 American jobs.

And U.S./Third World economic ties are growing. Since 1975, the developing countries have accounted for more than half of the growth in American exports. These countries can continue to accept a growing volume of U.S exports if their economies expand. If they falter economically, so do we.

Current economic stagnation in a large number of developing countries, especially those with heavy debt burdens, illustrates the point vividly and painfully. For example, between 1981 and 1985, the countries of Latin America and the Caribbean experienced sharp declines in their real incomes. These declines impacted the U.S. economy through our international trade position. Our exports to that region dropped by over $11 billion. In Africa, our exports dropped by $1.5 billion.

It has long been obvious that by promoting economic development we make a direct contribution to our own economic well-being. For example, we have played a significant role in the development of Turkey and Pakistan. In 1960, Turkey's per capita income was about $500 per year; Pakistan's was barely

$100. By 1985, both countries had more than doubled their incomes and had become major purchasers of U.S. products. Since 1979, U.S. exports to Pakistan have doubled; to Turkey they have nearly quadrupled.

These illustrations demonstrate that in order to promote our own long-term economic prospects, we must promote economic growth in the developing countries. It was with these ends in mind that we requested $8.4 billion from this subcommittee in bilateral and multilateral economic assistance in FY 1987. That was a very lean request, less than the Congress appropriated in FY 1985 when we adjust for the one-time only supplementals approved that year. Nevertheless, even after taking into account the supplemental appropriation recently approved by the Congress, the amount available to us this year is only $8.1 billion. The cuts which we have had to make to stay within that total are especially steep for countries and programs unprotected by earmarks. For FY 1988, we have asked you to appropriate $8.4 billion for economic assistance.

Many low income countries, mainly in sub-Saharan Africa, also face serious external debt problems. In most cases, their creditors are governments and multilateral institutions, not commercial banks. For these countries, IDA (International Development Association) funds, IMF (International Monetary Fund) reflows, and bilateral grant aid will be needed to support essential domestic economic policy reform.

But for FY 1987, funding available for the multilateral banks is approximately $185 million (13%) less than we requested even after taking into account the recently enacted supplemental appropriation. At the same time, bilateral funding has been slashed to a level where we can only provide

30% of the resources necessary to support economic policy reforms in Africa. It isn't only people in foreign countries who are being hurt by these cuts; Americans involved in the production of exports to the Third World are victimized as well.

Cuts in our support for the World Bank and other multilateral financial institutions are especially damaging. Not only are these institutions at the forefront of our efforts to get the economies of our friends and trading partners in the developing world back on their feet, they are also just about the most cost-effective tools we have for leveraging resources for these countries. The United States puts up only a small fraction of the funds mobilized by the World Bank. For example, in FY 1986 the Bank lent more than $100 for each dollar of capital paid in by the U.S. Government. For every dollar the United States contributes to the International Development Association, the World Bank's affiliate for aiding the poorest countries, other countries contribute more than three. Conversely, when the United States fails to follow through on its commitments, this reduces the World Bank's lending capacity far more than the actual cut in U.S support.

Promoting Democratic Values

The United States also has a vital stake in promoting democratic values and institutions. This isn't starry-eyed idealism; it is realism. Democratic countries respect the rule of law both domestically and in foreign affairs; they grow more rapidly, and they are more stable internally and more capable of resisting subversion through their own efforts. In promoting democratic values and human rights, we are protecting our security and prosperity as well as advancing our most fundamental ideals.

One country where our support for democratic institutions has been especially noteworthy is the Philippines. There, President Aquino's efforts to strengthen democratic institutions and establish the conditions for sustainable economic growth offer genuine hope that the Philippines will become a stable, prosperous country which shares our values.Continued U.S military and economic assistance is essential to achieving these goals. For FY 1988, we are seeking $261 million for the Philippines as a tangible demonstration of our unequivocal commitment to the Aquino government, and to the stability of an area where two of our most important overseas bases are located.

In Central America and the Caribbean our support for pro-democratic forces has also shown good results. Democratic institutions are taking root in countries where just a few years ago many dispaired of that ever happening. These new democracies of Central America and the Caribbean desperately need our economic support. The President's Caribbean Basin Initiative and the recommendations of the National Bipartisan Commission on Central America provide a comprehensive strategy for such support.

But funding has fallen far short of what is needed. In the supplemental appropriation bill just passed, the Congress recognized this, and included in additional $300 million in ESF for Central America. However, the cumulative shortfall from the funding levels recommended by the Bipartisan Commission is still over $500 million.

Humanitarianism Efforts

Let me turn to another broad theme of American foreign policy -- our humanitarian efforts.The American people can be justifiably proud of their humanitarian instincts. Over the past few years, the assistance we have provided has meant the difference between life and death for literally millions of Africans who faced the worst drought and famine the continent has experienced in this century.

During the height of this crisis, the United States provided 2.2 million metric tons of food aid at a cost of over $1 billion; another $150 million was spent to provide medicines, shelter, wells, and the other immediate needs for those worst affected by the drought. This was all in addition to the regular economic assistance we provided during the same period.

Similarly, assistance to Colombia at the time of its volcanic disaster, major earthquake relief efforts in San Salvador and Mexico City, and our support to combat locust infestations in 17 African countries are activities of which the U.S. can be proud. Our support for the World Health Organization and UNICEF has helped rid the world of some of the most deadly and contagious diseases and has dramatically reduced infant mortality.

Our assistance to the world refugee population is especially noteworthy. Since the passage of the Refugee Act of 1980, the American people have offered new homes to more than half a million refugees -- a greater number than has been provided by all other resettlement countries combined.And we have gained a great deal by doing so. Indeed, we know from experience that every generation of refugees has made enormous contributions to our society. Just look at those who fled from Nazi Germany, from the Soviet Union, from Cuba, and from Southeast Asia.

The benefits this country has gained from the refugees who have sought sanctuary here are incalculable.

Our position as the acknowledged leader in assisting the world's refugees -- the victims of oppression in their own homelands -- is further demonstrated by our generous financial support to multilateral and bilateral refugee relief programs. The strong, sustained interest of Congress has enabled the United States to fund more than 25% of the international community's total contribution to the world's more than 10 million refugees.

But it seems to me that what we all seek is the end of the conditions which create the need for many of these emergency programs in the first place. Obviously, we cannot eliminate natural disasters; but we do have the ability, the moral imperative, and the national interest to confront the man-made causes of poverty and repression.

Our assistance programs do just that. It is political, economic, and social turmoil that causes vast numbers of people to flee their homelands. Conversely, the development of democracy and expanded economic opportunity can dramatically reduce the number of people compelled to abandon their native lands.

The War on Narcotics

Stemming the flow of narcotics into the United States is another major priority for all Americans. But this is a costly undertaking. In some countries in which many people depend on narcotics crops for their livelihoods, you cannot just force farmers to stop growing them without offering economic alternatives. Similarly, you cannot expect the governments of most of the source countries to launch major programs without the economic resources to sustain them. And drug traffickers and narcoterrorists won't give up their very lucrative business without putting up a fight; in fact, they are working overtime to elude interdiction efforts and undermine democratic institutions by intimidation, corruption, and violence. All of these factors drive up the direct and indirect costs of narcotics control. Thus, if we're serious about stemming the flow of drugs into our country, we must be prepared to use every resource at out command -- economic and military assistance as well as narcotics control funds.

In Bolivia, we are using narcotics assistance funds to buy trucks and boats which the army and navy need to carry police forces to raid laboratory sites.At the same time, our economic assistance is being used to support public education and to promote rural development and small industry, thereby helping farmers to stop growing coca for their livelihood.

The democratic Government of Bolivia has embarked on a courageous battle, putting its very survival at stake, to shut-down one of the two major sources of cocaine to the United States and Europe. Bolivia's leaders invited U.S. forces into their country last year to assist in destroying cocaine laboratories, and, in so doing, drove the price of coca leaves below the cost of producing them. That prive has risen again, and we are using helicopters borrowed from the U.S. military in a major new interdiction campaign. Bolivia is following up with legislation which will attack the problem systematically and comprehensively through voluntary and involuntary eradication.

If the program in Bolivia is to be successful, economic alternatives must be provided for as many as 350,000 people, one-sixth of that country's population. Impoverished Bolivia cannot accomplish this herculean task, so important to us, without a substantial increase in our economic assistance. The eradication program in Peru, the other major source of coca, also requires U.S. economic assistance.

In addition to Bolivia and Peru, Colombia, Ecuador, and Venezuela are also engaged in a war against narcotics. Colombia has eradicated 85% of the marijuana cultivated in traditional growing areas through an aerial herbicide program, using U.S. provided aircraft and communications equipment. In Peru, the Garcia government has aggressively destroyed laboratories and airstrips used by cocaine traffickers, using helicopters we provided. In Peru and Colombia, the governments are also attempting to combat narcoterrorism. And the Andean countries signed a treaty this past year -- named in the memory of the Colombian Minister of Justice slain by narcotics traffickers -- pledging regional cooperation against narcotics trafficking and production.

These successes demonstrate how critical our resources are in winning the battle against narcotics. If we cannot provide vital economic as well as narcotics assistance to the Andean countries we will not only be sending a wrong signal that we are indifferent to their problems, we will also set back our own campaign to create a drug-free America. We are grateful for the increased narcotics assistance this committee has made available in recent years. Yet other funds we planned to make available to the Andean countries had to be slashed by a third because of budget cuts we sustained this year. For FY 1988 we have requested $187 million in economic and military assistance for them.

Finally, waging an effective war on drugs requires us to cooperate with friends and allies through the drug agencies of the United Nations. The UN narcotics agencies share our goals; they are working to gain control over the production and abuse of psychotropic substances. In addition, this year the United Nations is completing a convention on illicit trafficking which will support our own national policies.

Combatting Terrorism

I need not belabor the threat of terrorism. In 1986, there were about 770 international terrorist incidents. Among the casualties, over 800 were killed and 1,200 were wounded. These figures tend to understate the actual level of terrorist activity, since incidents confined to one country, with the nationals of only one country involved, are not included.

As the Inman commission pointed out so clearly, protecting ourselves against terrorism does not come cheaply. As dear as protection is, however, the money is necessary. Aggressive intelligence analysis, heightened security awareness, and enhanced physical security helped to thwart 120 planned terrorist attacks against American diplomatic personnel last year.

But let me make it clear that our efforts to counter terrorism extend beyond looking after our own.

We, of course, have a special responsibility to those we send abroad to conduct this country's business. But most of the millions of Americans who live, work, and travel abroad will not be saved by thicker armor and more guards. There is not enough brick, mortar, and armor plate to protect all our citizens and interests. We cannot, must not, just sit and wait for terrorists to strike. We must continue to address the terrorist problem more assertively.

The use of force must always be present in our list of options. But there is more to an aggressive counterterrorist policy than using force against terrorists. We must and do work with other countries to identify, track, apprehend, prosecute, and punish terrorists. This requires that we:

-- Closely cooperate with other countries on counterterrorism efforts;

-- Persuade those countries reluctant to cooperate in combating international terrorism; and

-- Provide training and other assistance to those with the will but not the means.

Our efforts are beginning to pay off. Increasingly, countries are trying and convicting terrorists instead of releasing them, as happened too frequently in past years.We and other countries are strengthening extradition treaties to assure that terrorists will be brought to justice. Unfortunately, budget cuts are hampering our program to counter terrorism. Clearly, our hearts are in the right place. But where are our resources?

We have been unable to obtain enough funding to strengthen our embassies and other overseas facilities against terrorist attacks as quickly as we should; we are having difficulty in finding the money for antiterrorism research and development on such projects as coming up with better ways of detecting explosives or chemical and biological agents at a time when terrorists are becoming more innovative; and we are having serious difficulty maintaining the vigorous, professional U.S. Foreign Service we need to provide us with the reporting and analysis necessary to combat terrorism and to achieve our other foreign policy objectives.

An American Withdrawal?

Mr. Chairman, with the passage of the FY 1988 Budget Resolution it is clear that resource constraints are by no means a thing of the past. I understand that this committee has been allocated approximately $13 billion for foreign assistance. That is about $900 million less than the inadequate amount appropriated in FY 1987, and $2.25 billion (or 15%) less than the President requested. The implications of cuts of this magnitude, coming as they do on top of sharp cuts in FY 1986 and 1987, could be devastating. If we assume that Congress will again earmark funds for Israel and Egypt at the Administration's request level, and that assistance for Greece, Turkey, Pakistan, the Philippines, Central America and the multilateral banks will be more or less straight-lined at current levels, the amounts that will be available for much needed programs in other parts of the world will be approximately 50% below the unacceptably low levels of FY 1987.

Accommodating cuts of this magnitude would mean:

-- Further gutting our base rights commitments;

-- Probable zeroing out assistance to several countries where we enjoy military access agreements, including Kenya, Somalia, Oman, and Morocco;

-- Outright elimination of programs in Sub-Saharan Africa, South America and the Caribbean, and South and East Asia; and

-- Arrearages on the order of 50% to the multilateral development banks.

In short, we are fast approaching a time when our budget will only pay for assistance to Israel, Egypt, Pakistan, and Central America, with inadequate support for the base rights countries and withdrawal everywhere else.

What would American withdrawal mean? To answer that question we need to remember why we became involved with the world in the first place. After World War II, the United States accepted strategic and economic leadership of the non-communist world because it alone had the strength to confront aggressive Soviet expansionism.

The world has changed over the past 40 years. With our help, the war-weakened countries of Western Europe have reemerged as strong, prosperous and vital democracies capable of competing economically and contributing significantly to the defense of the Atlantic region. In Asia, Japan has become an economic giant. South Korea, Taiwan and Singapore have also made impressive progress. And China, India and Pakistan are also gaining economic strength, and are increasingly able to project military power within Asia.

Elsewhere, Mexico, Brazil, Israel, Saudi Arabia and Iran have also made great economic strides and have become regional powers. In short, economic and military power have become much more diffuse.

However, despite changes on a scale that few imagined possible in the immediate post-war period, two elements in the equation remain as true today as they were then. First, through military force the Soviets can still exert strong political pressure, directly or via allies, throughout the world.Second, the United States remains the only power in the non-communist world with the economic and military strength to oppose the Soviets effectively on a global scale. Under these circumstances, can we afford to withdraw? Clearly, the question is rhetorical.

But the case for America to remain fully engaged with the world is not based solely on geopolitical considerations, important as these may be. I have already noted that our prosperity is inextricably intertwined with that of our trading partners, including the countries of the developing world. If their growth falters, so too does their capacity to accept U.S. exports.

Last, but by no means least, America cannot turn its back on the grinding poverty and deprivation which remains the lot of millions in Third World countries without sacrificing its character as a humane society.

We sometimes forget that humanitarian assistance means more than simply providing for the immediate needs of the victims of disasters. That by itself does little or nothing to alleviate the desperate poverty which is pervasive in many countries, even in the absence of natural or man-made catastrophes. We must also assist people in ways which enable them to escape from poverty.This is a long term process which involves education, building political, economic and social institutions, and helping developing countries to construct and implement policies which support sustainable growth through private initiative. We have had many successes in the development area. But they are not as dramatic as our disaster relief efforts. It is for this reason that development assistance is especially vulnerable in an era of budgetary pressures and earmarking.

Making the Most of Limited Resources

Mr. Chairman, I know full well that the budget process for FY 1988 is at an advanced stage. There is little this committee can do to restore the resources we need to carry out an effective foreign policy. Any way you slice it, we are in for a very rough time.

But I believe there are still some things that can be done -- things within the purview of this committee -- which would enable us to make the best possible use of the very limited resources which will be at our disposal. From what I have said today, I hope you will agree that it is crucial that these things be done.

What are these things?

-- First, we urge the committee to take whatever steps are necessary to assure that all foreign assistance appropriations are available for programs for which the Administration requested funding. Specifically, this would exclude funding for the FMS Guaranty Reserve Fund (GRF). I understand that the Budget Resolution report seeks to mandate use of $532 million of your 302(b) allocation only for the GRF. In our view, such funding is not necessary.

And, frankly, if we are required to provide funds for it from our already inadequate foreign assistance resources, what we will really be saying is that further efforts to construct and carry out a creditable program, one that serves our interests and honors our commitments, should be assigned to the writers, directors, and cast of "Mission Impossible". In the television series, they got the job done. But this isn't television.

--Second, we will need maximum flexibility in using limited available budget authority to best advantage. In the past, the Congress has protected many programs from cuts by earmarking. In FY 1987, 81 percent of our total budget authority for security assistance was allocated to specific countries and programs in this way. But we can't keep cutting the total available, protecting favored programs from the cuts, and expect other programs to continue as though nothing had happened. I mentioned before that unprotected programs, including assistance to many of the countries of Sub-Saharan Africa, South America, South and East Asia, and the Caribbean among others would have to eliminated entirely to accommodate the cuts which seem inevitable based upon the Budget Resolution and the allocation for foreign assistance which this committee has been given. A more flexible approach to the use of funds, one that would enable us to distribute the cuts more widely, but less deeply, would be very helpful to us at this stage.

Mr. Chairman, the seriousness of the situation demands that we examine all possible options. I have no specific suggestions other than the two I have just mentioned. Perhaps other innovative ways for handling the problem can be devised. Last year, this subcommittee came up with quite a few.

My colleagues and I are very pleased with the cooperative and creative spirit in which you and your staff have approached the task of trying to accommodate our need for resources in the context of increasingly tight budgetary constraints. I would like to assure you that we at the State Department are prepared to work with you as we have in the past to improve the efficiency of our programs and to collaboratively staff out other ways and means for making better use of our limited funds.

In conclusion, let me emphasize once again that the issue we must jointly address is not just another bureaucratic battle for funds.Rather, it has to do with our ability and willingness, as a nation, to remain engaged with the world, to continue to shoulder the responsibilities of world leadership. In the historic contest between freedom and totalitarianism, democracy and dictatorship, our nation holds the winning hand. But the deep cuts in our foreign affairs resources are undermining our ability to play it. In effect, we are being forced to play Russian roulette with our international interests and our national security.

I think this is an extremely dangerous situation we're stumbling into, and so, I'm sure, do you, Mr. Chairman. Let us work together to avert a major foreign policy catastrophe.

Thank you, Mr. Chairman.

SENATOR KASTEN'S OPENING STATEMENT

Senator INOUYE. Thank you, Mr. Secretary.

If I were sitting there, I suppose I would have said the same thing. We do have a challenge before us.

Before we turn to questioning, I would like to call upon my distinguished colleague, Senator Kasten.

Senator KASTEN. Mr. Chairman, thank you very much.

I just have a very brief opening statement. I just want to say, Mr. Secretary, that we look forward to working with you.

I also look forward to working with Chairman Inouye in the way that we have been able to work for the past 7 years in this subcommittee. We have been able to achieve the consensus we have worked toward, in a bipartisan approach to a number of problems that confront us.

I look forward to working with you and Chairman Inouye, as we labor through some of these difficult questions and problems that you have outlined. Obviously, all of us would like to see those 302(b) allocations in a different configuration. That is now behind us, and now we have to determine the best way we can allocate the limited funds that we have available to us.

I want to assure you that we will continue to work in a bipartisan way on this subcommittee toward the goals all of us share.

Secretary SHULTZ. Thank you, Senator.

Senator INOUYE. Mr. Secretary, in order that all of us will have an opportunity to ask questions, I will limit the questions to 15 minutes, but we can come back for a second round.

As noted in your prepared text and also in your summary, in the portfolio before us is a full platter. We have everything from aid to Morocco and Mozambique, problems with Spain on base rights and the Torrejon Air Base. We have problems in Turkey in the way that they have been keeping our arms there. We have our problems in Cyprus and, as you know, this is always a matter of great concern to many of our colleagues. Then we have a country that is trying its best to restore democracy. That is the Philippines. We have economic and military aid there.

NICARAGUAN PEACE PLAN

One could go on and on and on; Egypt, Israel, Jordan, but I believe the two matters that are foremost in our minds at this moment, as we prepare for our departure from Washington to return to our constituencies, would be the matter of the Nicaraguan peace plan and the Persian Gulf.

So, if I may, I would like to ask questions related to the peace plan because this committee does have final jurisdiction over what will happen in the event an appropriation request should be made by the administration.

In my reading of reports and listening to statements, I get the impression that there are two items of major concern on the peace plan. One is the suggestion made by President Ortega that in order for this peace plan to move forward, he believes that direct one on one negotiations should commence between the United States and Nicaragua.

His argument is based upon the fact that although the Contras are operating in Nicaragua, realism would indicate that, without assistance from the United States, the Contras would fade away. Therefore, the prime force and the prime element in the Nicaraguan situation is the United States. The administration has indicated not just great reluctance but opposition to negotiating one on one with Nicaragua.

I would like to have the views of the Secretary of State as to why we oppose this.

CENTRAL AMERICA PEACE PLAN

Secretary SHULTZ. Last year, at the UN General Assembly, the President of Costa Rica, Mr. Arias, made a notable and eloquent speech. As he addressed the problems of Central America, he said that the essence of the problem was the lack of democracy in Nicaragua. And if you don't have it, if you have the kind of regime that is trying to shape itself up there as a heavily Soviet-supported, totalitarian style regime, with all of the aggressive aspects that go with that kind of regime all around, you are never going to have peace and stability in the region.

So the essence of the problem is to have a form of government there that is responsive to the wishes of the people, as is the case in Costa Rica, as is now the case in El Salvador, Guatemala, and Honduras, in other words, in that neighborhood, let alone in other places.

We agree with that. And it was very interesting to me, taking part in the discussions that resulted in the peace plan that was sent down for consideration by the Central American presidents at the meeting that they are now having in Guatemala City—in the discussions with Members of the House and Members of the Senate—that that idea seemed to be very widely held.

The Speaker of the House took a leading hand in producing the peace plan. But people from both chambers took part as well. And everybody had their reservations. But nevertheless there is broad, general support for the idea that somehow or other that is the real root of the problem in Central America.

That being the case, what we support are regional discussions designed to find an agreement that will bring that about. That is what the four civilian, elected presidents that are down there are trying to do, as I understand it. What we sent down, what I sent down on the instruction of the President, was designed to register U.S. views and encourage that.

That being the case, we think that the idea that somehow the United States and Nicaragua should get together to decide what should be done in Central America is not the right way to go about it. It doesn't mean that we are not ready to talk to the government of Nicaragua. We are. But it is a question of what to talk about, and what the setting should be, and the orientation should be. That is what the President has said, and what he had me say in my press conference yesterday.

So we are not just stiff-arming Nicaragua. We are saying: There is a regional problem, and the peace plan that we sent down, as well as the Arias Plan, the Honduran Plan, all are basically oriented the same way. That is what we support. That is what we believe. And we are ready to talk about it, oriented to that, in a regional setting, or with individual countries as the case may be. That is our object, and that is our view of the matter.

In the structure of the peace plan that resulted from these bipartisan, executive and legislative discussions, it calls for a whole series of things, a batch of them to take place simultaneously upon agreement of the parties concerned.

CEASE-FIRE IN NICARAGUA

An initial one has to do with the cease-fire. If you are going to have a cease-fire, the people who are firing have to agree to cease. That is obvious. So the Nicaraguan resistance is one of the parties. They must be involved. If it seems to be too tough for the Nicaraguan communists to sit down with the freedom fighters, then there will have to be some representative way of doing it.

The freedom fighters have said that they didn't go along with that idea. But their views have to be represented; and they have to be satisfied that a cease-fire is going to be accompanied by such things as amnesty, the release of political prisoners, freedom of religion, freedom of the press, and a process definitely underway that is going to lead to the kind of electoral system that we are advocating.

That is the administration view. And from the discussions that I have taken part in with Members of the Congress, Democrats and Republicans, House and Senate, I think that that is a fairly widely prevailing view.

There has been some discussion in the press, I noticed this morning, about the fact that in a peace plan that was distributed by the Speaker, and the one that was distributed out of the White House, the word "bilateral" appears in his and it doesn't appear in the one we distributed. I don't think that this represents a difference in view.

What it historically represents is that, I can't remember which day was which, but at one point there was a meeting in Senator Byrd's office, attended by Senators, along with the Speaker who was invited. The word "bilateral" was in there, we feeling that it meant just what I said. Senator Dodd, very eloquently and, I think, correctly argued that we didn't want to say something that might open the door to the idea that somehow the U.S. and Nicaragua were going to be the arbiters of this. He suggested that the word come out, and we agreed. We struck it. But somehow it didn't get registered in both documents. I don't think that that word difference suggests any real difference of view about this matter.

CENTRAL AMERICA NEGOTIATIONS

Senator INOUYE. Apparently my time is up, sir. But if I may say, with the indulgence of the committee, we have heard from the press that you are contemplating a trip to Central America. What do you hope to accomplish there?

Secretary SHULTZ. I don't have any trip plan arranged. However, I know the President feels that if there is something that the United States can do constructively, that will help this peace process, the negotiating process in Central America, we should be prepared to make the effort. But right now what is happening is the meeting of the Central American presidents in Guatemala City. They met yesterday, and are meeting again today. And just what will come out of that meeting, and what they will judge to be the right way to interact with the United States, remains to be seen.

I am ready to respond, the President is, or not. Our negotiator, Phil Habib, is not in Guatemala City, and has not been in the region in the last week or so. That is because the Central American democratic presidents said: Let us do this. Let us work at this, see what we can do with it.

We have a great deal of confidence in them. We don't want to push a Yankee solution at the situation. We want to be helpful. Maybe I will go, and maybe I won't. It depends. Have plane, will travel, or will not. [Laughter.]

Senator INOUYE. Senator Kasten.

TIME LIMIT ON NEGOTIATING PROCESS

Senator KASTEN. Mr. Secretary, the sixth part of the proposed peace plan states that the negotiating process shall commence immediately and be completed by September 30, 1987. A number of people are concerned that that date could slip, that somehow we will find ourselves in a position of saying: Well, they have come part of the way, or they are talking the right way, or we are making progress, therefore, we ought to slip that date by a week, or a month, or 2 months, or whatever.

It seems to me that by slipping that date, we are not only getting ourselves into a legislative problem in terms of time, but also getting into a problem in terms of the real meaning of what this peace process is supposed to produce.

Can we have your assurance that the September 30 date is a final date? That we are not talking about slipping? That we are not talking about stretching because we are part of the way? September 30 is the date, and at that point we either are or are not where we need to be—we have elections scheduled, we have a cease-fire, we have no arms coming from Cuba and the Soviet Union, and no arms coming from the United States.

Secretary SHULTZ. The President feels, and I agree with him wholeheartedly, that we need to have a firm date. And September 30 is the date that has been picked. It was part of the Speaker's plan, and we agreed with it.

I think that there are several reasons for seeing that as a fixed date. One is that if you are going to accomplish something in a negotiation, a deadline is usually a very useful thing to have. It concentrates people's minds. They have to finish.

Second, it isn't as though the terrain being talked about is new. It has been argued about, and language has been proposed about it, one thing or another, for 3 or 4 years in the various regional negotiating processes. It comes down more to a question of making some fundamental decisions than to understanding and elaborating out technical aspects of the subject. It is ready, you might say I think that this is an additional reason for that deadline.

Third, of course, the funds that the Congress has made available to the freedom fighters run out on September 30. I think that it is undoubtedly the case that if it turns out, and I hope it does, that all of these efforts that have been made, and are being made in region, produce a different attitude from the Nicaraguan Government, undoubtedly that will be, in large part, because they see facts on the ground that are getting out of their control.

We have to stand by the freedom fighters. And when the funds run out on September 30, they are going to need some funds. I might say that that is likely to be the case even if the negotiations meet your most extravagant hopes. Because even then, under the terms of the plan, you would have need for humanitarian aid; you have to hold this group together.

I think that for all of these reasons, we ought to consider that date to be a sensible as well as firm date.

Senator KASTEN. Is it fair to say, then, Mr. Secretary, that there are no circumstances that you can foresee in which we would extend the September 30, 1987, date?

Secretary SHULTZ. I am not fond, and I don't like to be put on the spot of saying that there are no circumstances whatever that I can conceivably imagine that would lead me to have a different view. I think that this is going to extremes. But I have tried to say to you why it is that that date is sensible from the standpoint of the dynamics of the situation itself, needed from the standpoint of our good faith and support for the freedom fighters, and appropriate given our desire to see this negotiated effort succeed and come to a conclusion.

COMPLIANCE WITH A CEASE-FIRE

Senator KASTEN. Let me, if I can, switch a little bit. One of the problems that we have had with our Central American policy, and particularly with our effort in Nicaragua, is that there is always a question about what is really going on. Whose reports do we believe?

One of the difficulties that a number of us perceive in the suggested plan, though I hope the Central American leaders will adopt it, is that we are not sure exactly who will be the referee, who will be the umpire, who will be the judge.

When we met, a day or two ago, with the Contra leaders, and discussed different kinds of arrangements, including possible cease-fires at different times, one of their responses was immediately, "The first thing they are going to do, they are going to dress up in our kinds of uniforms and attack one of their groups, and then accuse us of breaking the cease-fire."

Who is going to be the judge that the whole world can look to as a truly unbiased, nonpartisan, believable, credible judge of what is going on in Nicaragua?

Secretary SHULTZ. The document that we sent down there yesterday, and any serious consideration of a cease-fire, as I said, would call for, as the document that we developed does, that the cease-fire be on terms that are acceptable to the parties involved. So they are going to have to look at these terms. And one of the things that they are going to want to look at, obviously, is how are we going to be sure that the cease-fire is observed properly.

The freedom fighters, as well as the Nicaraguan Government, and the other Central American governments, because they have a concern, are going to want to know the answer to the question that you pose. You can imagine a variety of possible answers.

In the peace plan that we sent down, we used the words "an international observer force, possibly drawn from the OAS." Personally, I would like to see the OAS made a more substantial organization, with an ability to do things in our hemisphere. This would be something that conceivably it could undertake. But if not the OAS, another way of constructing an international observer team will be needed. Obviously, you have to get it from outside the immediate parties.

FMS DEBT RESTRUCTURING

Senator KASTEN. Mr. Secretary, let me just switch to a completely different issue. As you know, Senator Inouye and I, and our entire subcommittee, have been very supportive of the administration's efforts to try to do something about relieving the FMS debt for Egypt, Israel, Turkey, Morocco, and a number of other countries.

Secretary SHULTZ. Let alone the countries of Central America that have a considerable debt, but not all FMS, of course.

Senator KASTEN. We had a tentative package that was put together about 9 months ago, or so. But we really don't have a solution that is acceptable to any of our debtors, particularly some of the largest debtors. I think that over the last couple of months, we have really seen kind of a deterioration of the direction that we are trying to go toward.

Do you have any new suggestions in terms of some kind of appropriated funds that could be used? Or possibly some private money that could be used to guarantee bonds?

Do you have any new or different suggestions about how to deal with this overall problem of FMS debt for a number of the countries that we really need to work with?

Secretary SHULTZ. I don't. As you know, we have made two suggestions that are out there right now, that we worked out within the administration, which we believe are properly cleared legally, although some in Congress have challenged that. We think that they are proper and we have discussed them with you.

One is, essentially, allowing a country to buy out its debt. The second is to allow payments to be moved from the beginning to the end, ballooned or spread in some fashion, with the interest capitalized. Then you pay interest on the interest. Nevertheless, it changes the cash flow and eases the burden somewhat.

There are countries that are interested in the first alternative. If things stay the way they are, they probably will want to move forward. Other countries are exploring the second, although it makes them a little uneasy because what it amounts to is that the total in the end looks larger even though, I think, a financial person would argue that there is a net present value advantage to the countries involved.

Senator KASTEN. They are nervous about that balloon at the end.

Secretary SHULTZ. The image of the balloon.

Certainly the situation is still, in a sense, unresolved. Of course, from the standpoint of the Treasury, if you had the Secretary of the Treasury sitting here, he would point out to you that there is about $150 billion of debt in the Federal Financing Bank, and if you do something with this very small portion of that total, he has to have a way of differentiating that from the rest, or it will cascade through the gigantic pile of money. So there is a problem there.

At this point, I recognize the seriousness of the problem, having struggled with it for these years. If you have a good idea of what Congress might do, I would be darned interested in hearing it.

Senator **Kasten**. Mr. Secretary, my time has expired, but I think that it is important to build upon the plans or proposals we have, and somehow find a solution. Particularly in the case of Egypt, we are really getting ourselves in a very, very precarious position, I believe. We have got to find a solution, and we have to differentiate it from all of the other kinds of domestic debt problems we face.

Secretary **Shultz**. When you speak of finding appropriated funds, my hand just trembles. I don't know where those appropriated funds are, although I am afraid I do. They are not there.

Senator **Kasten**. Thank you, Mr. Secretary.

Thank you, Mr. Chairman.

Senator **Inouye**. Chairman Stennis?

Senator **Stennis**. Thank you, Mr. Chairman. I am here to hear the testimony, and pay a tribute to the Secretary. I thank you.

Senator **Inouye**. Thank you, sir.

Senator Specter.

Senator **Specter**. Thank you, Mr. Chairman.

At the outset, Mr. Secretary, I join in welcoming you here. I congratulate you on the good job you are doing with so many issues—arms control, Central America, the Persian Gulf. The polls have put you at the top of the administration witnesses and public acceptance on the Iran/Contra matter.

PERSIAN GULF AND THE WAR POWERS ACT

I would like to pick up on one of the subjects that Chairman Inouye mentioned, the Persian Gulf, and refer back to hearings which we had before this subcommittee back on March 1, 1984, involving the possible application of the War Powers Act on incidents at that time involving the Straits of Hormuz.

You and I had a discussion, on the record, talking about the congressional authority to declare war, the fact that there had been a war in Korea in the 1950s, which you agreed was a war. We talked about Vietnam, and that also was a war. At least Korea was undeclared, and possibly Vietnam was undeclared, but some argument could be made about that on the Gulf of Tonkin Resolution.

The War Powers Act is very much in the forefront at the present time again. The War Powers Act provides, as you know, that there must be certain steps taken by the President, in the language of the statute, in every possible instance where U.S. Armed Forces are introduced into hostilities or into situations where imminent involvement in hostilities is clearly indicated by the circumstances. Legislative history covers not only actual armed conflict, but a state of confrontation.

We have, in the Persian Gulf, first, the attack on the Stark on May 15, reflagging on July 21, the Bridgeton, which was hit on July 24, the Iran naval maneuvers extended again yesterday, Ayatollah Khomeni's threat to retaliate against the United States because of the violence last week in Mecca.

Haven't we crossed the threshold of the standards for the invoking of the War Powers Act?

Secretary SHULTZ. I don't think so. We have no intention of getting enmeshed in the war that is going on between Iran and Iraq.

We are there, with no chip on our shoulder, to undertake an activity designed to maintain the flow of oil in the region; to do what we can to see that states that are friendly to us are not intimidated by Iran; and to, basically, maintain Western responsibility for the oil that flows to the West. Those are our objectives. I think that they are good objectives. We do not have any intention of getting into that war.

I just want to take one of the instances that you mentioned, the fact that Iran threatened the United States as retaliation for what happened in Mecca, that we should go into a War Powers Act stance because of that Iranian threat based on the convoluted, ridiculous logic that that represents.

We are threatened all over the world by terrorism. You know that as well as I do. The intelligence briefings in the morning are just replete with these things. We cannot be declaring War Powers every time somebody exercises something of that kind.

There are real problems with the War Powers Act. You know it and I know it. Every President has given the opinion that that Act is not constitutional. Perhaps there will be a court test. It will probably be a healthy thing. But it has in its terms something that to me does not make sense. It says that unless the Congress acts affirmatively on something that the President wants to do within 60 days, he cannot continue to do it. It doesn't even require a vote. It just requires the passage of time to strip the President of the power to act. Invoking it puts into process that kind of sequence, So you don't put that into process lightly.

Now, of course, there are also in the War Powers Act provisions for consultation, and I think that idea is well warranted. Whenever we have a situation that has tension, or potential tension, there ought to be and there is, and there will continue to be a lot of consultation between the Executive and the Congress so that people can express their views and know what is going on, and so on. I think that process has proceeded very fully.

FACTUAL SITUATION TRIGGERS WAR POWERS ACT

Senator SPECTER. Mr. Secretary, when you talk about the issue of constitutionality of the War Powers Act, I think that this is something worth extended discussion.

Secretary SHULTZ. I recognize that I am a layman and you are a lawyer, so you have me at a disadvantage here.

Senator SPECTER. The next time that I have you at a disadvantage will be the first time, Mr. Secretary. The next time that anyone has you at a disadvantage will be the first time.

When you talk about the constitutionality of the War Powers Act, it is a very important subject, and I would like to come to that. But when you talk about the question of imminence of hostilities, the factual situation that triggers the War Powers Act, I flat out disagree with your assessment. I do not think that it is responsive to talk about U.S. intention, as you say, not to get involved. Sure, our intentions are not to get involved. But out intentions are not going to govern the situation.

You talk about the convoluted and ridiculous logic of Ayatollah Khomeini. Sure, I agree with that. But that doesn't mean that Iran is not going to involve us in shooting in the Persian Gulf. It is precisely the convoluted, ridiculous logic, quoting you, of Khomeini that poses the imminent threat of hostilities there.

Where you have the Stark having been struck and 38 sailors having lost their lives, there is no suggestion here of fault. This is an activity in pursuit of U.S. objectives. But it seems to me that you really can't sit there and say, logically and sensibly, that hostilities are not imminent, that there is not a confrontation. At least, there is a confrontation which is a triggering factor under the congressional intent behind the War Powers Act.

Would you disagree that there is not even a state of confrontation in the Persian Gulf at the present time?

Secretary SHULTZ. Yes, there is certainly tension there. On the other hand, we have passed, in the United Nations Security Council, a very strong, unprecedented resolution, which was supported unanimously. At this point, Iraq has indicated its acceptance. It has not attacked any shipping in the Gulf since the resolution was passed. Iran has not been willing to meet with the Secretary General as yet. So that, I think, is one of the reasons why we have started in the Security Council on the so-called "Second Resolution."

At any rate, there has been some action taken on the diplomatic side that at least there can be some expectation that may calm the situation in the Gulf.

Senator SPECTER. Mr. Chairman, I see the red light, but I believe that I started at 5 minutes of, and it is a 15-minute round.

Senator INOUYE. Ten minutes, I am sorry.

Senator SPECTER. I think that I have 3 minutes left without the red light.

CONSULTATION WITH CONGRESS UNDER WAR POWERS ACT

Mr. Secretary, you talked about consultation. And I question whether there has been even consultation under the provision of the War Powers Act. The legislative history says that consultation should include more than mere receipt of information, and that a decisionmaking process with the President is contemplated.

Would you represent to this subcommittee that there has been a decisionmaking process with the Congress on our activities in the Persian Gulf?

Secretary SHULTZ. There has been consultation going back to the early Spring as the subject of reflagging was getting underway. At that time, nobody was interested in the subject. It was only with the accident that happened to the Stark that people became interested in the subject.

Historically, there was an effort to tell people about this, and give briefings and so on. So that there has been an effort to share information. And, of course, as the attention to this area heightened, there has been a great deal of discussion. I don't have in my mind the list of all the different meetings that were held, informal and formal, on this subject. But there have been a great many.

EXPLANATION OF U.S. GOALS IN THE PERSIAN GULF

Senator SPECTER. I have one more question, but first I would like to make a suggestion, Mr. Secretary. And this repeats something that you and I have talked about privately.

It seems to me that the President has never really addressed head on, in a public statement, our objectives, our goals, in the Persian Gulf and what risks were involved. He did address it as part of a speech sometime ago where many other subjects were taken up.

One of the advantages of these kinds of exchanges, and our other conversations, is to make sure you are aware of what the people are thinking about, because we have contacts through open house town meetings. I have had many of them in the course of the past several months. I always talk about the Persian Gulf problem. People's eyes glaze over, and there are no questions about it. They don't understand it.

We have experienced that there cannot be a successful U.S. foreign policy, which involves risk unless there is public understanding, public acceptance, public support and congressional support. I would like to see a much greater effort made, perhaps next Wednesday, or whenever the President speaks could be an occasion to do that.

COURT TEST OF THE WAR POWERS ACT

Let me just finish with my final question, Mr. Secretary, and it is this: I am very pleased to hear you talk about the desirability of a court test on the War Powers Act. Back in 1984, a number of us in the Senate, led by Senator Baker, who was then the Majority Leader, had prepared some papers, and I took the responsibility for preparing a draft legal paper for having a decision by the Supreme Court of the United States on the constitutionality of the War Powers Act.

I believe that the latter part of your answer really goes to the heart of why there has been notification by the President of the War Powers Act, not the issue about the imminence of hostilities, but the unwillingness of the Executive Branch, not only President Reagan, but prior Presidents, to concede that the War Powers Act is constitutional.

Back in 1984, there were extensive discussions between Senators, Senator Baker taking the lead, and members of the Department of Justice. The regular issues were raised about lack of standing, about the absence of a case in controversy, the lawyers' way of avoiding a court test, and the way that the Supreme Court has traditionally avoided getting into a question like this. Congress can solve the problem of standing, because that is statutory. The issue of case in controversy, we probably have one now.

My question to you now is: Would you recommend to the President that the Executive Branch join with the Legislative Branch, with the Congress, in dropping the procedural challenges and urging the Supreme Court to take on this question, and once and for all make a decision as to whether the War Powers Act is constitutional.

You have raised a lot of very good issues—the 60-day notice, if Congress doesn't act, tying the hands of the President. We have gone through a lot of congressional analysis, and would you agree that now the time is ripe to really ask the Supreme Court to decide this question?

Secretary SHULTZ. You have me in a little over my head when it comes to a judgment about what is the right way to proceed as a judicial matter. I do know that the judicial system, obviously, is a third independent branch and it can tell you and me where to go, and decide for itself whether it wants to take a case. As I understand it, they don't like hypothetical cases.

Senator SPECTER. There is nothing hypothetical about the Persian Gulf.

Secretary SHULTZ. If it is something actual, and just what kind of a process needs to be gone through between the Justice Department and others to bring that on, I don't know. My opinion is not worth much on that.

Just from my standpoint, as Secretary of State, I think a law that says that the President can be deprived of his ability to take action by inaction on the part of the Congress in a period of 60 days is not very appealing as a way to equip our country to act on things.

I don't say that as a legal matter, just a practical matter of how you run our national security policy in a world that is full of opportunity, but also full of problems, and where the President is called upon to make decisions.

Senator SPECTER. As the Secretary of State—my final statement—there is nothing hypothetical about the Persian Gulf. As the Secretary of State, would you like to see the Supreme Court resolve that?

Secretary SHULTZ. As I read the challenges, and so on, maybe there is something that is taking place, but I don't want to act as though I can make the kind of judgment that is really up to the Attorney General to advise the President on that.

Senator SPECTER. But speaking——

Senator INOUYE. I must cut you off, Senator, I am sorry. We started out with a 10-minute rule, and you have consumed 25 minutes. In fairness to the rest, Senator DeConcini, you are recognized for 20 minutes.

FOREIGN ASSISTANCE FUNDING HAS INCREASED

Senator DECONCINI. Mr. Chairman, thank you. I am not going to take 20 minutes because I realize the importance of my colleagues here, and I don't want to infringe upon them. But I appreciate the Senator's offer.

Mr. Secretary, I want to join Senator Specter, however, in complimenting you on your appearance before the Iran/Contra hearings.

Indeed, having served on the Intelligence Committee, and your having appeared before that committee several months before, your testimony was consistent, as was Secretary Weinberger's. I thank you for that. I think you helped restore some credibility to the administration by your appearance there.

Mr. Secretary, you point out the necessity to consider foreign aid rather than foreign aid as assistance and security assistance for the United States. And you indicate that it has gone down. But I think that it is important for the record to note, since 1981 through 1987, development assistance has gone up 16.7 percent; security assistance, ESF, has gone up 85.7 percent; military 59.4 percent, for a total of all of those at 48.3 percent.

So it is difficult, Mr. Secretary, for us to deal with these increases, even though this year it is less, and that excludes the Eximbank figures that have gone down. It is difficult for us to increase foreign assistance and not consider it foreign aid when we have been under attack for years saying that this is a giveaway program. Under President Carter, foreign assistance went up 17 percent, and under this administration it has gone up roughly 70 percent. I will just tell you that it is hard for some of us to cope with that as eloquent as your arguments are.

ANGOLA: A REPRESSIVE REGIME

My first question, Mr. Secretary, is on your testimony on page 5 where you make reference to the Soviet challenges globally, and you point out the activities, arms and support, repressive regimes in Eastern Europe, Indochina, Ethiopia, Cuba, and Nicaragua. I notice from your statement that Angola is left out. Is there any reason that Angola is not included?

Secretary SHULTZ. It must be a typographical error.

Senator DECONCINI. It should be in?

Secretary SHULTZ. Yes.

Senator DECONCINI. The record will show that Angola will appear therein.

DIPLOMATIC AND TRADE RELATIONS WITH ANGOLA AND NICARAGUA

Then my next question, Mr. Secretary, is, that being the case, and I am glad that that is the administration's feeling, because it certainly is mine, how do you reconcile the administration's position, with Angola having no diplomatic relationship, yet opposing a trade embargo, when with Nicaragua, we have a diplomatic relationship, amd we have a trade embargo?

Secretary SHULTZ. I suppose that it is in part kind of historical. As we have worked at these problems, in the case of Nicaragua, when the Somoza Government was overthrown, what we hoped for was that a new democratic government would come into power. We helped it a lot. I think at one time our assistance to Nicaragua was the highest on a per capita basis of any country. Before the end of the Carter Administration, it was clear to everyone that things were not the way they looked. So that started changing.

Nevertheless, I think, in the case of Nicaragua, it is worthwhile to maintain our diplomatic presence there because we have seen a big evolution in Central America over the last 4 or 5 years. Really, we can take a lot of heart from that, and we are working hard to extend that regional shift as is the case in Guatemala City right now. So maintaining diplomatic relations is a way of maintaining contact and trying to keep that going.

In the case of Angola, there is a different situation. There you had a country in which various groups took part in getting rid of a foreign power, as they saw it, or a colonial power, Portugal in that case, that ruled that country. As that took place there came to be a dispute about what the new government should consist of. The present people who now are in the government managed to seize power. The UNITA forces were not included, and they represent a big segment of the country.

So I think that there is a legitimate, you might say, civil war there. What Mr. Zeminbi seeks, and he says so and has said so here in Washington, and probably to you, is national reconciliation and an opportunity to take part in that government. We support that.

We do talk to the Government of Angola, and we have had a number of conversations with them. Assistant Secretary Crocker had one recently, but it wasn't at all fruitful. They have a large Cuban troop presence there——

Senator DECONCINI. Excuse me, Mr. Secretary, Mr. Crocker, coming back from his last trip there, called it a "waste of time." I am quoting, those were his statements. My question is: How can we rationalize continued trade with Angola if we do not have diplomatic relationships, and supporting the freedom fighters there?

How can the administration rationalize that, when we do have a trade embargo with Nicaragua and we have diplomatic relations; wouldn't it be more consistent if we applied that same principle of a trade embargo on Angola that we do on Nicaragua?

Secretary SHULTZ. Certainly an argument can be made for that. The principal item involved is oil.

Senator DECONCINI. That is a fair answer. If there was oil in Nicaragua, we would have trade with them? [Laughter.]

Secretary SHULTZ. No. I didn't quite get finished.

Senator DECONCINI. OK.

ZIMBABWE

Secretary SHULTZ. The nature of that commodity—I will just give you my view of it—is such that if we aren't there, there are Europeans who would love to be there. So it is not going to change the nature of cash flow or anything to have the ownership of those facilities shift. Under those circumstances, I think, one can look out a little bit into the future and say to ourselves, since it won't make that much difference, and it is conceivable that things will change, we hope so, we hope that Zimbabwe succeeds and becomes part of the scene. Under those circumstances, it would be a good thing that there is an American presence and we haven't left.

This is the kind of balance to it, and you can argue it both ways, I recognize that.

Senator DECONCINI. Is there a principle here that U.S. trade is supporting the effort against Zimbabwe, is buying the guns from the Soviet Union, is paying the cost of the Cuban troops; isn't our money being used to fight also the effort that we are doing?

It seems to me that there comes a time when principles have to apply notwithstanding that France, or some ally, if they want to have no principles and support the Communist regime against freedom fighters, it is just better that it isn't us, it seems to me.

Secretary SHULTZ. I think that that can be argued. I think that it would be different were it the case that if we left the flow of funds and the flow of oil would cease, but that won't be the case.

PAYMENTS FOR BASE RIGHTS

Senator DECONCINI. Mr. Secretary, let me turn to one last question, the question, the concern, the issue of base rights vis-a-vis the Philippines, Spain, Greece, and Turkey, et cetera, when we are under the severe economic restraints that we are under, and I say all of us, the administration and the Congress, the huge deficits we have, and the effort to increase, though you have had, in fact, a decrease, some of the base payments.

In the negotiation of those, is it explained to our allies and NATO friends that these bases are for their protection as well, their security as well as ours, and that there is a tremendous economic benefit by having all of the money spent in the community by the military forces there, and why can't they shoulder some of that cost that we have to pay just for the base rights, and voluntarily reduce it?

I would think that Spain, Greece, Turkey and the Philippines ought to be delighted to have our bases there for the economic fallout of the money that is spent, and for the security of the interests of free democratic countries.

I don't say this to be critical of this administration because it has been a long history that I have studied and seen over a period of time of at least the last 20 years. We keep negotiating, and we keep paying more for these base rights on the basis that these countries are demanding. I wonder if that can be changed in your judgment?

Secretary SHULTZ. Burden sharing is an important principle in any alliance. As you look around the world at allies of ours, where we have a military presence in one way or another, in most cases the bases are supplied by the host country. Far from us making contributions, they have a substantial flow of funds that goes into those. In the case of Japan, for example, it is on the order of $1.5 billion a year.

PHILIPPINES

Where countries have the ability, they put up the money. In some cases, the countries involved are far less able than we to find the funds to build, maintain, and surround these bases with the healthy economic situation, and that is the case in the Philippines. It is a struggling and, of course, dramatically democratic now, a very exciting place from that standpoint. But it is poor.

I don't think that it is surprising that it would say: Here are these bases, Clark Field and Subic Bay, along with your presence and use of them. It makes sense for you to want to have a flow of funds that helps to maintain the bases and helps the economic infrastructure around them.

SPAIN

Senator DECONCINI. What about Spain, Mr. Secretary, and Greece and Turkey?

Secretary SHULTZ. In the case of Spain, we are in the midst of a renegotiation right now, and I would rather not make any particular comment. We are negotiating.

OTHER BASE RIGHTS COUNTRIES

Portugal is a country that needs help, and the same is true of Turkey and Greece. Those are the principal base right countries. We also have military access arrangements with a variety of other countries. I have named some in my testimony. The way the funds are being cut, it is going to make it very hard for us to live up to our best efforts commitments.

BASE RIGHTS

Now some people have suggested from time to time, and I got into quite an argument in the Philippines about this when I was there recently. Some of the people who had just been elected to their new congress met with me, and they said: In view of the uncertainty in your appropriating process, why don't we make the payments that are associated with these bases, and which you undertake to provide, given your best efforts—that is the way we phrase it always, because we can't say what the Congress will do—why don't we call that rent? Then if we have an agreement, and the Congress goes along with the agreement, they have undertaken an obligation to pay the rent.

I spoke very strongly against that idea for the very reason that you have brought out. Rent implies sort of I have this piece of property, and if you want to use it, pay the rent, and it is yours, and I don't care. Whereas the concept we want is one, just as you said, which recognizes that these bases serve the interests of the host country as well as us, and we have to work out an equitable way of conducting them, and supporting them, and so on. But it is mutual. The concept of rent doesn't fit that concept.

Senator DECONCINI. Let me just say, I hope that the administration will be firmer in its negotiation in trying to get these host countries—maybe the Philippines is the exception—to shoulder more as far as the base right payments are concerned.

Mr. Chairman, thank you for the additional time. I yield back the balance of my time.

FOREIGN ASSISTANCE SERVES U.S. SECURITY INTERESTS

Secretary SHULTZ. If I could just make, Mr. Chairman, one additional point.

I appreciate your line of questioning, and I agree with the push that you give. But the very fact that in this dialog between us what we are talking about is the security interests of the United States once again underlines what these resources are for. They are for things that help the United States. They are not just moneys that we happen to have left over that we dole out to some other countries.

Senator DECONCINI. I didn't mean that.

Secretary SHULTZ. I know you didn't mean that, but I am just using your line of questioning to underscore a point that I keep trying to make in the course of my plea for resources here.

Senator DECONCINI. Thank you, Mr. Chairman.

Senator INOUYE. Thank you very much.

Senator NICKLES. Mr. Chairman, thank you very much, and I will try not to take the full allotment of time.

BASES IN NATO COUNTRIES

Mr. Secretary, welcome to the committee. To follow up on Senator DeConcini's comment, I could not agree more with his statement, particularly concerning some of the countries with whom we are negotiating base rights. Today, in Greece under Mr. Papandreou, and to some extent in Spain as well, we have leaders of NATO countries continually making statements that "we are going to get rid of the U.S. bases," et cetera. Sometimes I believe if we would call their bluff they would understand that those bases have a real economic value as well as a military value to their country. I know that the dispute with Greece is somewhat troublesome, but still it bothers me to have the President of a NATO country making anti-bases statements.

PERSIAN GULF REFLAGGING

Let me move to Senator Specter's issue concerning the War Powers Act, and also the Persian Gulf reflagging. I think that you have ample opportunity now that you have over 100 Members of Congress trying to expedite a case to implement the War Powers Act. I would encourage the administration to contest that on constitutional grounds.

The War Powers Act is an infringement on executive powers. It does need to be resolved. It is uncomfortable, I would think, for administration after administration to say that it is unconstitutional, but to never contest it. I think that you have ample opportunity to do that now, and I would hope that you would do so.

I oppose that resolution, but let me tell you that I am also very concerned about the reflagging policy. I heard you say that we do not want to be involved in the conflict, and I believe your statement wholeheartedly. I know that we do not, but I think the facts are that Iraq initiated the war. Iraq initiated most of the attacks of the Persian Gulf shipping on tankers. Kuwait has asked us to protect their ships. Has Kuwait compensated the United States for protecting their tankers and their oil?

Secretary SHULTZ. The ships, when they are reflagged, are not their tankers, they are owned by a U.S. company, and that U.S. company is, in turn, owned by Kuwaiti interests. But, nevertheless, they are under the American flag in a genuine sense, and they conform to our standards, they pay taxes, and so forth, like any other American flag vessel. There are also arrangements having to do with the fuel for shippers, and things of that kind.

As to the details of it, I will give you a response for the record to give you more details.

Senator NICKLES. Then, considering that they are not now Kuwaiti ships, is Kuwait compensating the United States for the protection services?

Secretary SHULTZ. They are not taking a total value of what it costs us to have our naval presence there and then paying us. No, certainly not. And we wouldn't want to do that. But there are some costs that go to how much fuel you use, and so forth. They are providing some fuel, I believe, but I can't give you a detailed answer.

Senator NICKLES. Again, Mr. Secretary, I want to state that it would be a mistake for Congress to try and impose, through the court system or otherwise, the War Powers Act, but I think that that issue has to be resolved.

My concern or uneasiness is that we say we are going to maintain neutrality in the Iran/Iraq War and now we are involved in protecting Kuwaiti tankers.

However, certainly, Kuwait has been allied with Iraq. Iraq did initiate the war. Iraq initiated the attacks on the shipping. At the same time, Kuwait is not even allowing the United States base rights. It seems to me like we did not get a very good deal.

We are basically providing the insurance for Kuwaiti tankers at U.S. expense. Do you have an estimate on that expense?

Secretary SHULTZ. I don't know how much it costs us to have that naval presence in the Indian Ocean and in the Gulf. Of course, that has been there for a long while. It has been augmented lately, and it is an expression of what we consider our interests to be.

Senator NICKLES. Please don't misinterpret my statements. I think the United States does have an interest in the Persian Gulf area, and I don't want to see us abdicate that to the Soviets or anyone else. We have been there for a long time. I think that it is in our interest to maintain our presence there. It just seems that the arrangement that we have now does put us in a bias with Iraq, which I question for the reasons I previously stated.

Secretary SHULTZ. Let me just note that Kuwait has diplomatic relations with both Iran and Iraq, although their embassy has been badly treated by Iran recently, as has the French Embassy, and the Saudi Embassy, and a number of others. They have diplomatic relations with both. They are not a belligerent. So, while they have relations with Iraq, it is not really proper to classify them as though they are a belligerent in this war.

Senator NICKLES. I did not mean to imply that Kuwait was belligerent. But would it be correct to say that Kuwait has been more allied to Iraq in the war effort, either financially or through transporting Iraqi oil?

Secretary SHULTZ. They have more of a commercial type relationship with Iraq than they do with Iran.

PANAMA ASSISTANCE CUTOFF

Senator NICKLES. There has been a great deal of unrest, and I think that Senator D'Amato is going to touch on this, in Panama of late. There is also a move sponsored by many in Congress to cut off U.S. assistance until some democratic reforms are made in Panama. What would be your response to those efforts? Do you think that that would be a good idea?

Secretary SHULTZ. No, I don't.

Senator NICKLES. For what reason?

Secretary SHULTZ. Because we need to have the ability to recognize changes if they occur, and to use the question of whether to resume economic and/or military aid, and in what form and how to make it flow, and so forth, and not be totally tied up by a statute.

I think that this administration has a pretty good track record of working in situations that have a sense of transition in them, and trying to pursue an objective of democratic regimes, with professionals as distinct from political/military establishments. This is what we have set out as our objective.

In the light of current circumstances, we have suspended aid. I think for the Congress to lay a statute on us that says that we can't resume it, unless the Congress somehow says okay, is a mistake.

Senator NICKLES. Have you presently suspended aid to Panama?

Secretary SHULTZ. Yes.

Senator NICKLES. When?

Secretary SHULTZ. That was done some time ago.

Senator NICKLES. Do you remember when?

Secretary SHULTZ. I don't have the date right in my mind, but I can supply that for the record.

[The information follows:]

SUSPENSION OF AID TO PANAMA

On July 1, following the June 30 attack on our Embassy in Panama City, we informed the Panamanian Government that we were interrupting new commitments of economic and military assistance, and that we would not release direct disbursements pending payment for damages to Mission property and receipt of assurances that the incident would not be repeated. We subsequently received these assurances and on July 29, the Panamanian Government delivered a check in full compensation for the damages. Due, however, to the deterioration of the political situation and our continuing concern about the human rights environment in Panama, our assistance remains frozen.

Senator NICKLES. In the same vein, in looking at the budget marks, Mr. Chairman, that we came up with on the Appropriations Committee, I think that we are looking at budget authority of about $870 million less than last year.

ASSISTANCE TO CENTRAL AMERICA

You have proposed, in your request, fairly significant increases for several Central American countries, primarily economic aid, but some military aid. I have a concern that one of the biggest areas that Congress could possibly reduce would be Central America. Do you share those concerns?

Secretary SHULTZ. I certainly do. I share the concern that we have too few resources devoted to what we consider to be our interests. Let me just relate the events of the past few days.

In the very extensive discussions that went on between Members of the Senate and Members of the House and members of the administration what has been labeled a peace plan, that I hope helps achieve peace, emerged. One important paragraph of it talks about the importance of trade and economic assistance in the area.

We know that we had a bipartisan commission, headed by Henry Kissinger, genuinely bipartisan, suggested by the late Henry Jackson, and it produced a report and made some recommendations about the kind of funds that we ought to be willing to devote down there.

At this point, even after the $300 milliom in the supplemental, for which I compliment the committee, the work that you did in getting it was wonderful, nevertheless, even with that, we are a half-billion dollars short of where the Kissinger Commission would have us be right now. So it is just another illustration of the way in which the shortage of resources is affecting our ability to serve our interests.

Senator NICKLES. Thank you very much, Mr. Secretary.

Thank you, Mr. Chairman.

Senator INOUYE. Senator Harkin, 20 minutes.

Senator HARKIN. Thank you, Mr. Chairman. I, too, will not take the entire amount of time.

CENTRAL AMERICA PEACE INITIATIVE

Mr. Secretary, I will confine my questions in part, if not totally, to the recent peace initiative advanced by the administration. Despite my earlier skepticism, I think that the issue is so important, the prospect of peace so important in that area of the world, that I want to go on record as saying that I believe we ought to give this plan every possible chance to proceed, to become implemented, hopefully.

Now, this Senator who has so adamantly opposed the administration's policy regarding the Contras for so many years, lest I doom this proposal by embracing it, I want to say that I still have some skepticism regarding it. But, again, I want to make the record clear that I think it is a positive step forward.

I was heartened by the meeting that we had with the President yesterday morning. And I am greatly heartened by your approach and the remarks that I have seen both in print and heard you utter regarding this peace plan which tracks very closely with the Arias proposal.

I think that you are absolutely right that negotiations have to be viewed in a regional context. I have long felt that. I don't mean to put on the record what the President said in the meeting yesterday, because it was off the record. But one of the remarks that the President made, I believe, really brought home why this has to be a regional effort, rather than between only two countries.

Over the next 6 weeks, what is going to be on trial is the President's commitment to peace as much as the Nicaraguans' willingness to negotiate. The litmus test on that score is going to be the implementation of this peace plan.

I express my hope that the President and his advisors are sincere in this effort because the stakes are so high. The lives of thousands of Central Americans, the status of American security in the region, the future of democracy in Central America are all at stake. I will add to that that I also hope that the Nicaraguan Government will be sincere in its approach, in its willingness to negotiate on this document. So I find this proposal a very positive step, and I hope and wish you the best in the process that has now begun.

I have only three questions.

Secretary SHULTZ. Could I make a comment on your comment?

Senator HARKIN. Certainly.

Secretary SHULTZ. I think what you have said is very important and helpful. Just in reading the cable traffic coming in this morning from the region, people down there are interested in the content of what was said, but they are even more interested in the fact that there is such a wide consensus of opinion here behind the idea that the essence of the problem is democracy, and that we want to see this effort toward peace succeed.

I think that your registering that along with many others is a very useful thing for us. As I am involved, I will quote you. I will get the transcript here, and I will hand it out.

DIRECT TALKS BETWEEN THE SANDINISTAS AND CONTRAS

Senator HARKIN. Now that I have stated that view, I do have one question, and I don't mean to be contentious.

I think, as I have indicated before, that if, in fact, we set up conditions and precedents in this plan that are so hard and fast that it might doom it at the beginning, then the whole thing will come to naught.

I am somewhat disturbed about the difference in your approach and the quote by Mr. Abrams in the New York Times this morning. Mr. Abrams is quoted as saying that the President's plan calls for "the fighting parties, the resistance and the Sandinistas, to sit down and negotiate a cease-fire and stop this killing." That was his quote. Direct talks between the Sandinistas and the Contras have always been rejected by Managua, and it is my view that they always will be. Yet, this morning, you said that if Nicaragua cannot sit down with the Contras, then there must be some representative way to do this.

I want to know who is speaking for the administration, Mr. Secretary. Are you speaking for the administration?

Secretary SHULTZ. I hope that the two statements are compatible.

Senator HARKIN. I don't think that they are.

Secretary SHULTZ. At any rate, I think the freedom fighters have said that what they want is for their views to be registered and for them to know what is being proposed, and to have the opportunity to agree or disagree about it. They have said that they have a lot of confidence in the church, just to take an example.

We all know that there are many ways of negotiating things. Ambassador Habib, who is a very experienced negotiator, has lots of experience in things like proximity talks, and things like that. There are all kinds of ways to do these things if the people have the idea that they want to do them.

Senator HARKIN. I agree with that, that it is the proper approach. I am concerned that the approach taken by Mr. Abrams, if adopted, would doom this from the beginning. I would agree, on the record, that the Contras ought to be represented in the cease-fire. They have to be.

Secretary SHULTZ. That is what he is saying, that they have to be a part of it.

Senator HARKIN. But to expect them to directly sit down, the Nicaraguan Government and the Contras, as Mr. Abrams has outlined, I don't think is possible.

Secretary SHULTZ. Sooner or later that has to happen, that is, assuming the kind of process envisaged in the peace plan works. Then what we are looking for is reconciliation within Nicaragua, and people become part of the society. That is the objective, but the question is when and how do you bring that about, and that it will be a process.

Senator HARKIN. Fine. That is good. I agree with that. They have to be a part of the reconciliation process. I think that you have cleared this question up. I didn't mean to put you on the spot about Mr. Abrams, but that quote is a very significant quote.

BILATERAL OR CENTRAL AMERICAN APPROACH TO SETTLEMENT IN NICARAGUA

Second, on the bilateral/multilateral issue, I would like to clear that up a little bit more. As I understand it, you have said is that the administration's position is that in dealing with Central America, this just can't be just bilateral talks between the United States and Nicaragua, negotiations have to involve all of the countries of Central America.

Again, I support that, it has to involve the entire region. But in reading the peace plan, I find language that indicates that there are other areas in which we might deal with Nicaragua on a bilateral basis. After all, I would remind you that we still have diplomatic relations with Nicaragua, and those channels are still open. And there are issues that deal directly between Nicaragua and the United States, the economic embargo, and other things like that, that do not necessarily involve the rest of the region.

I just wanted to clear that up. As I understand it, you are not ruling out bilateral talks. You are ruling out bilateral talks on regional problems.

Secretary SHULTZ. I think we are saying the same thing, obviously. If it comes to something like the U.S. embargo, that is a U.S. action with respect to Nicaragua. And under what circumstances would we lift that embargo, that is something for us to consider. No doubt, even in the course of regional discussions, you wind up talking with individual countries. That is another problem.

We want to avoid the way Nicaragua tried to use the direct talks that we got going some years ago. Remember we did not have the same situation that we have today. But there was a lot of discussion that if we would only sit down and talk directly to the Nicaraguan Government about the Contadura process, which was the name of the negotiating game at the time, that would be helpful to the Contadura process.

We discussed that. The President and I, and others, talked about it. He told me to go to Managua and try. And I did. Then we had almost a year of talks, mainly in Manzanilla, that were conducted by Ambassador Schreiber. The net of that was that Nicaragua was describing those talks as a way to basically go over the head of and subvert the regional negotiating process. So we blew the whistle on it, because that is not what we are here for.

ASSESSING PROGRESS IN PEACE TALKS

Senator HARKIN. Mr. Secretary, two other quick questions.

In the process that is going to be taking place, a lot has been said about the September 30 deadline, and I understand your position on that. Quite frankly, I concur with that position that there have to be deadlines established. But recognizing that once these processes are engaged in, perhaps, the deadline should not be quite so rigid as to mandate that every single, absolute thing be done, only that the process be in progress.

Here again, let me reiterate to you what has been said before by others. We are interested in having some kind of monitoring, not on the basis of mistrust or anything like that, but because this has been such a contentious issue and the stakes are so high. But because of the strained relations between the two governments. It seems important that we must have some kind of a bipartisan monitoring from the U.S. Congress engaged in this process.

Who is going to monitor the progress, so that when we reach that September 30 point that we will have some other view on the progress of talks, rather than just the administration's views on the matter?

Secretary SHULTZ. I am sure you will, because Guatemala City right now is awash with observers. We have stayed away because the Central American presidents said: Have a little confidence in us and don't be too present. But there are a lot of people present.

In a more direct way, in responding to your question, as the present nuclear and space talks are going in Geneva, the Senate and the House each appointed observer groups and, in effect, said to us: Here are a group of people who are interested in this and will pay a lot of attention to it, spend time on it. So if you consult with them and keep them posted, we will regard that as a way of keeping the whole body posted.

I would have to say that I was a little skeptical to begin with. But Senator Byrd didn't consult me; he announced it to me. So I said all right. It has worked out pretty well. It has worked out very well. Max Kampelman would tell you that the visitations in Geneva that people have made have been extremely helpful. So I like it now that I have been kind of educated.

If the two bodies want to appoint—you have to have a relative small group to have it work, but if they want to appoint some people who are especially interested, I think that it works well if they have varying persuasions and all the same view, that is fine, as far as I am concerned. That is not inviting people to take the negotiations from us. That is our job to do. But we will keep them posted. And you can express your ideas, and so forth, as we go along.

IS THE PEACE PLAN NEGOTIABLE

Senator HARKIN. I like the spirit of cooperation.

One last point. Do you consider this peace document a final draft, or as the first step in a process?

Secretary SHULTZ. It was sent to the five presidents in the spirit of the opening sense. Namely, we recognize that you are going to be meeting, and here are some ideas that have widespread support in the United States. So filter them into your thinking. From the preliminary reports that I have heard, that is exactly the way they are being treated. They are being looked at.

Fundamentally, I think, people want to register their views on what is called the Arias Plan. But then there are all kinds of views about the ins and outs of that plan. So our contribution is being taken in a constructive way. And I think that that is just fine.

Senator HARKIN. Thank you, Mr. Secretary.

Thank you, Mr. Chairman.

Senator INOUYE. Senator Mikulski.

Senator MIKULSKI. Thank you, Mr. Chairman.

Mr. Chairman, I am more than willing to submit to the traditional discipline of the committee of 10 minutes, if you could remind me, so that the Senator from Vermont can have his chance.

CONTRA HEARINGS

Mr. Chairman, we are happy to have you, not back, because you were never absent during the Chair of the Contra hearings, but this new Senator would like to really thank you for the way that you conducted those hearings, with dignity and fairness. I think that your comments during the hearings on the honor code should be reprinted and placed in every classroom at every level in this country. We were proud of what you said, and we were proud of what you did.

Mr. Secretary, I think that we all welcomed your testimony at the Contra hearings, as well as your conduct as Secretary of State. This is one Senator who is glad that you didn't resign. I am glad because we do need clarity and consistency in our foreign policy, whether it is in the Middle East, or our own Hemisphere, or the Pacific Rim.

The Constitution gives us separate powers, but we shouldn't be acting in separate interests. We need to work together in our national interest. I think that this is what brings us to this room today. I would like to pick up on the Central America conversation that has been engaged in by my committee, again in the spirit of cooperation, recognizing separate power, but not separate interests.

THE PEACE PLAN: PROCESS, GOALS AND TIMETABLES

I think that it is easy to be skeptical about the Nicaraguan effort. I think that it is hard to be successful. Therefore, I would like to turn my conversation to questions on how to achieve success. I think that we need a clear process, goals, and timetables, one of which is for the Senate to understand who will be in charge of negotiations, as I go through a couple of questions on the process.

Has the Administration decided who will actually be in charge of that, Mr. Secretary?

Secretary SHULTZ. The President is in charge; and he has a special envoy and that is Ambassador Habib. We have had three special envoys. We had Senator Stone, who did a very fine job. He was succeeded by Ambassador Schlaudeman, and now Ambassador Habib, who is a very experienced diplomat.

Senator MIKULSKI. So Ambassador Habib will be our director negotiator.

Secretary SHULTZ. Yes.

NEGOTIATING DEADLINE

Senator MIKULSKI. This, then, takes us to the question around the timetable, and I would like to discuss that a bit. Given that this plan contemplates achieving in seven weeks what we haven't been able to do in 7 years, I would like to talk about how we would define success. As you know, there has been a great deal of skepticism voiced by colleagues on both sides of the aisle about September 30. I would like to offer a definition of success for your comment.

I am not sure that we can do the cease-fire and all the things that are in the plan by September 30. Maybe we can, and perhaps you would like to comment on that. But what would you think of the idea that by the time we reach September 30, we would actually have a plan for a peace process? That means that when we reach September 30, we might not have achieved all of the aspects of this effort, but we would have specific goals and specific deadlines, a real schedule set, for achieving.

So when we reach September 30, we might not have a cease-fire, we might not have had the withdrawal of all foreign troops, advisors, and all the others, but we would have dates for a cease-fire to take place, a date certain for the withdrawal of troops, and a date certain for elections to take place in Nicaragua. What would you think about that as a definition of success?

Secretary SHULTZ. I think that the deadline of September 30 is a good one for reasons that I gave earlier. I don't think that we should move away from it.

Now, where will we be on September 30? I don't know the answer to that question. In a negotiation of this kind, if it gets really going—I think that we will all know if it is going or not, that is not going to be so difficult to figure out—you don't know how it will move. We have some very clear objectives. Just how the process will go, how far it will go, and how fast it will go, you can't tell at this point.

As I said earlier, it is not as though this is new ground. It really is a question of people deciding that now is the time. As the Bible says, everything has its season. There is a season to argue, and there is a season to criticize, and there is a season to draft new amendments. There is also a season to decide, and we think that maybe this is the season to decide.

Senator LEAHY. Is that the King James Version?

Senator MIKULSKI. No, it is the Pope John Paul.

Secretary SHULTZ. I will get you the quote, Senator.

[The information follows:]

The passage I quoted is from the King James Version of the Bible—Ecclesiastes 2:16, and is as follows:

To every thing there is a season, and a time to every purpose under the heaven.
A time to be born, and a time to die; a time to plant, and a time to pluck up that which is planted;
A time to kill, and time to heal; a time to break down, and a time to build up;
A time to weep, and a time to laugh; a time to mourn, and a time to dance;
A time to cast away stones, and a time to gather stones together; a time to embrace, and time to refrain from embracing;
A time to get, and a time to lose; a time to keep, and a time to cast away;
A time to rend, and a time to sew; a time to keep silence, and a time to speak;
A time to love, and a time to hate; a time of war, and a time of peace.

AID TO CENTRAL AMERICA IN THE CONTEXT OF STRATEGEY

Senator MIKULSKI. Mr. Secretary, I would like you to keep in mind some other alternative definitions of success, not so that we have chevrons on our sleeves, but so we move in the right direction.

I like the approach you are taking of involving the other Central American countries. We cannot have peace unless we have multilateral support and, I believe, multilateral pressure. This leads to a broader question involving the five Central American countries. You are asking for an overall aid program in Central America. Whatever we do with a peace plan will require aid.

I wonder what your views are on whether we should be talking through this appropriation process in terms of our regional strategy and whether we should put some things on hold until September 30. Also, what do you think that our country by country approach should be in order to encourage both their participation and their own positive activities?

ASSISTANCE TO CENTRAL AMERICA

Secretary SHULTZ. Well, of course, I welcome the support that the Congress has given to the four central American democracies. And I think the work of this committee on the supplemental, getting the $300 million and getting it allocated sensibly, was outstanding. As I did a minute ago, I will just reiterate that this still leaves us about a half a billion short of the mark that the Kissinger Commission set out, and that was a bipartisan mark. It just shows you the problem of resources.

The problem that I have and that this committee has is that you don't have a big enough total to do the things that you probably all feel need to be done. I would like to see the total raised so that we can do better. I would not suggest that we hold back on any resources that we have right now. Quite to the contrary, the four democracies need them. The freedom fighters need the money that has been appropriated for them. It might change its complexion if things were to go as is envisaged as possible under this plan. But nevertheless the funds are needed.

Senator MIKULSKI. Mr. Secretary, we poured a bundle, for example, in El Salvador, both in terms of humanitarian aid and also in terms of some military aid. I have been disappointed in the way AID handled even currency exchange where we actually lost money in currency exchange. But for the money that we put in, while we are focused on Nicaragua, will we continue to put pressure on El Salvador to bring about continual political and economic reforms?

There are many of us who don't feel, for what we are putting into El Salvador, that we are really getting our money's worth of democracy out of it.

Secretary SHULTZ. I think they have made remarkable progress in political arrangements in El Salvador. As far as I can see, the death squad problem is not a problem, and we have an elected president. We have progress in judicial reform, and so on. We have all struggled at those subjects a lot, and we have had a lot of discussion in this committee about them. But I think that there has been real progress.

On the economic side, they are having their difficulties. They are not in the kind of decline that there was once. There are economic reforms taking place. It is always a problem, and President Duarte has to judge how much strain can you put on the political system through economic reform before it breaks. He refers to it as the political space that he has. You can argue about that back and forth. We have had a lot of those discussions.

They have had the misfortune in El Salvador of the earthquake. They have also had approximately $2 billion worth of damage caused by the communist forces that oppose them. That is about as much as the total assistance that we have given.

It is tough. I think that they have made some progress. But it is a tough situation. You have to persevere and keep these people knowing that we are there, and we are going to stay there. We have staying power.

Senator MIKULSKI. Mr. Chairman, my time is up. I do want Senator Leahy to have his questions. If we have a chance I have some questions about Turkey and Greece. If not I will submit them for the record.

Mr. Secretary, we do look forward with you, to propelling this initiative forward.

Secretary SHULTZ. We will give it a whirl.

Senator INOUYE. Senator Leahy.

MORE ON THE CENTRAL AMERICAN PEACE PLAN

Senator LEAHY. Mr. Chairman, I am also glad to have you back here. You are probably glad to go into a committee room different from the one that you were taking up residence in. I know, in fact, that Mrs. Inouye is glad to have you back, too.

Mr. Secretary, I was pleased to hear you quote from the Bible. Senator Mikulski and I both tried to pick just which version it was from. She tells me that it comes from Pope John Paul II. If you can convince her of that, he being the first Polish Pope, you will probably win her over as much as you are ever going to.

Secretary SHULTZ. I will send you the passage, recognizing that what I said is not an exact quote. But the idea is there and I think that it is a very good idea.

Senator LEAHY. The idea is there, and it is a good idea. And it is a realistic idea. There is a season for everything.

I want to add, Mr. Secretary, that it is good to have you here. I congratulate you on your very frank and refreshing testimony in the Iran/Contra hearings. You not only did yourself proud, but I think you did the Nation proud, and I think you helped the President. I would add that these feelings are shared by both sides of the aisle.

I have some mixed feelings about the new peace proposal, and I am glad that there has been so much discussion. I stayed here a lot longer than I normally do, because all of us serve on more than one committee, because I was so eager to hear what you had to say. A lot of questions I had have been asked.

NICARAGUA

Let me just tell you some of my own feelings about it, if I could take a couple of minutes to do that. I favor any step which can lead to a cease-fire, to end the killing in Nicaragua. I am sure that the killing there doesn't give any of us any satisfaction. We all want to see that end.

Direct talks between us and Nicaragua seem to be about the only way to settle the major issues underlying the war. I think that wider negotiations involving all the parties on a broad range of political and security issues are necessary for a peaceful settlement.

All of these things seem to be present in the peace plan that you have proposed, and I am very pleased to see that. If you could seriously move in this direction, instead of a policy of military confrontation, you are going to have my wholehearted support. But there are some important parts of it that cause me to be skeptical, and I would like to talk to you about them.

IS THE SEPTEMBER 30 DEADLINE REALISTIC?

This whole agenda has to be negotiated and agreed by September 30. And all of us are going to ask whether it is a coincidence that it is the last day of the fiscal year, and the last day of the $100 million in Contra aid that Congress approved last year.

You are a skilled diplomat. Can you, even with those skills, tell us that it is possible to negotiate in under 2 months an agreement that eluded the Contadoran process for 5 years?

In the past, just before a big vote in Congress on Contra aid, the administration has come forward with new promises to seek peace in Central America. Frankly, it has helped some concerned Senators and Members of the House, who have said that they were opposed to Contra aid, to say: We can put aside our reservations one more time amd vote for Contra aid one more time.

We have to ask, is this a replay of those maneuvers? If by September 30, there is no agreement along the lines of this initiative, are you going to be back asking for another $100 million or $150 million?

The policy of simply working for a military solution via the Contras, I think, has been a failure. I think that it has hurt our interests in Central America. I think that we have to have a better way of protecting our interests in that region.

What happens on October 1? Suppose this proposal has not brought peace or a significant move that way? Is there going to be a request for another $100 billion or another $150 million for the Contras?

ASSISTANCE TO CENTRAL AMERICA

Secretary SHULTZ. According to the statute under which we are operating, the President is entitled to make a request. He is entitled to make a request whether there is a statute or not, if he deems it proper. Under the statute that request is to get fast track consideration in both houses. That is the structure of the situation, and that has not changed.

I agree with you that it is important to give this opportunity for regional peace every effort and every chance that we possibly can. That is what we want to do. It would be great to be sitting around here talking about economic development problems, without having to worry about military problems. But the fact of the matter is that the military problems are there, and you have to confront them.

As far as the September 30 date is concerned, there have been various questions about that as we have gone along. To just respond to your question, I think that it is possible. It is possible not in spite of all the discussions in Contadura and elsewhere, but in a sense because the subject has been so thoroughly explored so many times.

Senator LEAHY. What is possible, Mr. Secretary?

Secretary SHULTZ. It is possible to come to a conclusion by that date. Just to take an analogy here. You all struggle and argue, and we argue with you about the budget all year long. I might say to you, do you mean that after all of this argument spanning the whole year, that you are going to come to the last day of September, and you are going to settle it on that day?

But that is what is going to happen probably, some kind of a big CR, if not on the last day of September, pretty close to it. Or maybe it will be in October somewhere with a little Continuing Resolution of some sort in the meantime. That is life. We have to have this deadline, and try to make it into something that can cause people to decide things. The basic things that they have to decide are not that mysterious.

Senator LEAHY. Nobody objects to deadlines. If we didn't have deadlines, for example, none of us would pay our taxes, or we wouldn't renew our automobile licenses, and we wouldn't do a lot of other things, I suppose. Some of us wouldn't be able to get back to our own state if we didn't have some kind of deadline around here, although that seems to be a flexible matter, too.

Mr. Secretary, you obviously have thought about what it is going to be like in the first week in October. If you had to give an estimate today, will the administration be up here asking for more money for the Contras?

Secretary SHULTZ. I don't want to try to predict what the situation in the region and the negotiations will be like. I hope that we will have concluded something that is generally satisfactory. That is what we are going to work on.

I would guess, as I said in response to Senator Kasten, that even if things go extremely well, and we come back with a report saying, this is really working, still there is going to be a need for funds. Under the peace plan that was brought out, the continuation of humanitarian aid is envisaged until the process of reconciliation has gone to the point of people having a chance to, so to speak, merge themselves back into the society, because you have to hold this force together.

I think that one of the places where you and I, perhaps, don't agree is, I don't think that we would have had much of a chance at this negotiation if it weren't for the fact that the freedom fighters, having some money now to work with and support, are giving quite a good account of themselves. And the Nicaraguan Government has to take that into account. That is what is having an impact on their attitude.

DEFINITION OF "HUMANITARIAN" AID

Senator LEAHY. Let's talk about the humanitarian aid. We provided that in 1985 and 1986, and it included uniforms, boots, web belts, radios, trucks—just about everything that wouldn't go bang, everything except guns and bullets.

The humanitarian aid that is talked about in this peace plan, is that the same humanitarian aid? Does it include everything except weapons and ammunition?

Secretary SHULTZ. I think that as this piece of writing evolved, I think the Speaker of the House wrote that down, and we agreed with him. I don't know exactly what he had in mind, but I suppose by this time there has been enough experience with the concept of humanitarian aid that we would go on the basis of the concept that has involved.

Senator LEAHY. Would it include things like helicopters?

Secretary SHULTZ. I have forgotten the list, but it is certainly things that are not literally lethal in their intent. So it is a broad category. But I am not prepared to get into a discussion of exactly what is meant by that phrase.

U.S. OBJECTIVES IN NICARAGUA

Senator LEAHY. At some point, we are going to have to discuss it.

Secretary SHULTZ. Maybe yes, and maybe no. In the peace plan a distinction is made between military and humanitarian assistance. Obviously, it needs to be made precise.

Senator LEAHY. I have been down there and my staff has been down there. I spent a great deal of time with President Arias, asking about his peace plan, what he was going to suggest, and what he thought might be achieved. I sent some of my staff down. In fact they just came back from down there, and we are having difficulty understanding just what exactly the administration's goals are.

Is it to defeat the Sandinistas, get them out of there entirely, or to allow them to stay if that is the political will of the majority of the people? Or is it just to stop them from posing a threat to their neighbors, and a threat to us? What is acceptable to you?

Secretary SHULTZ. I agree with President Arias. I think the gist of the plan that we sent down fundamentally agrees with his premise that you are not going to find yourself with stability and peace in Central America until you have a democratic-like government in Nicaragua, and that is what we are calling for.

Of course, the people in charge there did pledge that to the OAS. That is their rhetoric. But that is not their performance. So what we are basically doing is making the performance match the undertaking.

Senator LEAHY. Do you honestly believe that the people who are there in charge would ever allow the kind of democracy that you envisage and President Arias envisages for Nicaragua?

Secretary SHULTZ. I don't know. They have to answer that question. We have to say what we think is the right way to go about it. We are joined in that by our friends in Central America. That is what they think. I believe that the speech that President Arias made at the United Nations last September or October, whenever it was, was a very eloquent statement along these lines, and I agree with him.

I don't know whether they will shift gears or not. They have been close to it once or twice, I have the impression. They seemed to be close to it in the run up to the so-called "election" that they had. There was a negotiation involving, I believe, Arturo Cruz, and some representatives of the government that took place in Rio de Janeiro, where they came very close to setting out the right kind of environment. But in the end, they were not willing to.

Senator LEAHY. One thing I have heard from both the pro-Sandinistas and from the anti-Sandinistas, in one way or another, is that eventually it is really the United States and the Soviet Union that are going to bring the pressure, and bring about any kind of a resolution here.

I don't know whether that is so or not, and I am not suggesting that this is the majority view. But I have heard that from some who are strongly supportive of the Sandinistas and some who are strongly supportive of the Contras, saying that the United States and the Soviet Union could bring the kind of pressure necessary or bring the kind of agreement among themselves to change this whole situation.

How do you feel about that, Mr. Secretary?

SOVIET ASSISTANCE

Secretary SHULTZ. I don't accept at all the notion that somehow we and the Soviet Union should get together to settle the fate of our hemisphere. We have had an attitude toward foreign powers in our hemisphere for a long time. I think that it is appropriate today.

The fact is that the Soviet Union has been pouring military supplies into Nicaragua and Cuba at a very high rate. We estimate, in 1986, that the flow of Soviet military and economic assistance to Cuba and Nicaragua is on the order of $8 billion. They outspend us in our neighborhood on the order of seven to one, and there must be a reason for that.

Senator LEAHY. How does that break down between Cuba and Nicaragua?

Secretary SHULTZ. Most of it is to Cuba. I can get you the breakdown, I don't happen to have it with me.

Senator LEAHY. Would you please, I would be interested.

Secretary SHULTZ. Sure.

[The information follows:]

We estimate that in 1986 Soviet military and economic assistance to Cuba totaled approximately $6.79 billion and to Nicaragua $1.35 billion. East European military deliveries in 1986 were estimated at an additional $110 million to Cuba and $40 million to Nicaragua.

U.S. ABILITY TO COUNTER SOVIET INFLUENCE IN CENTRAL AMERICA

Senator LEAHY. To what extent are we able to say, or do we have the ability to bring the kind of pressure necessary to say to the Soviets: Stay out of this hemisphere. These are the things that we will not allow in Nicaragua or any other country in Central America.

Secretary SHULTZ. Our ability to say that is buttressed by our willingness to support people who stand up for freedom and democracy.

Senator LEAHY. What about using our own forces, under our own control, to say that. To what extent can we make a credible statement to that effect to the Soviet Union?

Secretary SHULTZ. As it happens, in Central America, of the five countries that we tend to talk about, four of them are democratic governments now. There are lots of Nicaraguans who are very dissatisfied with the nature of the government there and are dissatisfied enough so that they are willing to stand up and fight about it. So we should support them. They are patriots. And we are supporting them.

I think that now, maybe, there is an opportunity to help them get what they have been fighting for through a negotiation. That is what we would prefer. I hope it works that way, that they are ready to do that. But the negotiation has to produce a result that can work, that is real and not imaginary.

Senator LEAHY. I realize that my time is up, but I will just leave one thought.

I am not seeing anything here that would suggest that we can change the government of Nicaragua militarily through the Contras, other than just continue on killing, which we could do with our own forces, if this were the determination of the United States. If that is so, that we couldn't make a change militarily through the Contras, let's hope that the kind of negotiations that you are talking about may well work out.

Secretary SHULTZ. Your premise may not be right.

Senator LEAHY. I understand.

Secretary SHULTZ. The fact is that it is only a matter of a few months that the freedom fighters have had any real resources behind them, resulting from the congressional votes last year to provide the $100 million. And they have been giving a good account of themselves. It is probably one of the reasons that the Nicaraguan Government is interested in talking. They have a lot on the ball.

Senator LEAHY. Thank you, Mr. Chairman.

Senator INOUYE. Senator D'Amato.

Senator D'AMATO. Thank you, Mr. Chairman.

SUSPENSION OF AID TO PANAMA

Mr. Secretary, I was heartened by your support yesterday, your public comments on continued suspension of aid to the Government of Panama. Pursuing that line, which I understand Senator Nickles undertook, you indicated that you had some reservations about legislation which would cut off aid to Panama—that is military and economic assistance—unless the President could certify to the Congress four conditions.

One, that the Government of Panama has demonstrated substantial progress in an effort to assure civilian control of the armed forces; two, that the Government of Panama has established an independent investigation into allegations of illegal activities, drug running, et cetera; three, a nonmilitary transitional government; and four, freedom of the press and other constitutional guarantees.

I find your lack of support for that somewhat troubling, Mr. Secretary. I think that it certainly does give the administration, and yourself, sufficient flexibility to deal with that situation. Under what condition would you consider the resumption of aid?

You were talking about patriots. Certainly those people who demonstrated are patriots in the truest sense. They put their lives on the line, so to speak. And they are dealing with a pretty repressive dictator.

Secretary SHULTZ. My first problem is with the notion that we always have to conduct our diplomacy with both hands tied behind our back, and with Congress having a hold of the rope. I think that we need a little more confidence than that.

Second, there are all sorts of shades. Things are not black and white. They are gray and polka dotted. It may be that you want to do things in varying ways. It may be that there are ways that our aid can flow that support ideas that we favor. So it is not turn it on and turn it off. I think that we need to continue to have the room for maneuver that we now have.

The President decided to stop the flow of aid in the light of conditions that were there. We have a position and an effort that I think is broadly supported in the Congress. And we have signaled that. There have been some very useful letters written, which have been publicized. It has been helpful in making it clear to the people in Panama the views here in the United States, and the breadth of support for them.

I think that we are in pretty good shape, and we don't need to be hit over the head with a two-by-four.

Senator D'AMATO. Mr. Secretary, so that we make no mistake about it, I want to applaud your public support for the cut off of aid. I don't want you to think that I am in any way critical of your actions to date. I think that you are to be commended for your leadership and that of the State Department in dealing with this problem.

I think that it is very important that we let the Panamanian people know just how seriously we view the situation there, their fight for freedom and democracy, and that we stand with them. So I would ask you to judge it in that light, and not in the light of attempting to tie the State Department's hands or the President's hands. I think that it is rather to send a clear signal, a clear message that we stand with the people who crave for democracy.

Secretary SHULTZ. Perhaps I could be in a position, and I would welcome it, of being able to say in Panama: Look, the people in the Senate feel very strongly about this, to the point that even a piece of legislation was drafted. It didn't pass, but it just shows your own bias.

Senator D'AMATO. Maybe we won't push it to a vote, Mr. Secretary, as a piece of legislation. But I think that if it does come to a vote, it will pass. It might be useful in the next 3 or 4 weeks to know that it has a broad spectrum of support, with Senators Helms, Cranston, Kennedy, myself, and others.

Secretary SHULTZ. Fair enough. It might be helpful to us, because we don't have a difference of opinion. We are trying to register it and we are trying to work with the situation.

Senator D'AMATO. As you and I know, there are differences of opinion, and I don't want it to be misunderstood. I am appreciative of the strong efforts and support that you and the State Department have made in this area. I want you to know that, and I commend you for it.

Secretary SHULTZ. Thank you.

PERSIAN GULF: COOPERATION FROM OTHER COUNTRIES

Senator D'AMATO. Mr. Secretary, a matter that you have discussed and that has been troublesome to many is the reflagging of Kuwaiti ships. One point, Mr. Secretary, that it would seem to me the American people keep asking us, why is it, with respect to our allies, that we don't get more in the way of cooperation? I know that it is an easy question to ask. And I know you have sought more cooperation.

What about the Japanese, Mr. Secretary, notwithstanding the restriction constitutionally that they have?

Enormous dollars, not to mention the risk of life, et cetera, are going into those operations. What about their contribution to those efforts to see to it that the oil flow is opened up?

What can we do? What have we been doing to pursue a course where they at least contribute economically to our mission, which is very important to them as well?

Secretary SHULTZ. What we look to the Japanese for, first of all, is support diplomatically, as they have relations with both Iran and Iraq, and to state their views with firmness. From all I can understand, they have. Foreign Minister Kurnari went to Teheran from Venice. I subsequently met him about a week later in Singapore and heard his report of his visit to Teheran.

Second, to work collaboratively with us in the UN Security Council, which they did, in bringing about the vote that we had, which was a rather impressive one. It may be that we are going to have to follow up on that with a move toward mandatory sanctions. And I would hope that the Japanese would be there.

Third, insofar as economic things are concerned, of course, I think that it is not a thing that we want to do to ask people to pay our bills for us. We operate our Navy and use it as we see it properly should be. It is up to us to finance that.

On the other hand, there may be needs that arise in the region. If we ever get to the point where the Iran/Iraq war ends and some reconstruction effort is needed, I think that there is a market there for the Japanese, so that they ought to come up with, perhaps, more than their share of support if it comes to that. Although, I think Iran and Iraq are fairly well loaded with oil themselves that they can produce, there has been a tremendous amount of damage.

Those are the sorts of things that the Japanese are able to do. They are not able to put naval capacity in the Gulf. They don't have it to put. It would go against their constitutional restrictions.

PAYMENT FOR REFLAGGING

Senator D'AMATO. Mr. Secretary, the reason that I raised that question is because on June 30, or thereabouts, Assistant Secretary Rozanne Ridgeway was quoted as having indicated that the United States has asked both West Germany and Japan to help defray the cost of protecting navigation rights in the Persian Gulf. So I was pursuing that line, and I was wondering what the response was or has been. I don't know if you were aware of that.

It would seem to me, let me just make this observation, that they do have some obligation there, with the bulk of the oil certainly going to Japan and to Western Europe, and not to the United States.

I am not suggesting that we abandon our commitment to maintaining freedom of navigation in this area, not for one moment. I do suggest quite candidly, however, that our allies, the Japanese in particular, contribute economically to the cost of this operation. I understand your statement that we don't ask people to help our Navy. Some people have estimated the cost now for a barrel of oil, if you were to factor in what it costs us to maintain our fleet relative to this operation, is well over $100 per barrel.

Obviously, there are reasons well beyond that, the fact that we are not going to cede any areas, any navigable areas, to anyone. But, I think that it is a matter that the American people want us to pursue. They want to see that our allies are participating, if not as it relates to the military operation, at least in terms of the cost of that operation. I don't know if you would care to respond to that.

Secretary SHULTZ. I think that our allies should share the burden. They are differently placed to do that. Within the framework of their varying possibilities, I think that we should be calling on them.

On the other hand, I would have to tell you, again, I react very negatively to the idea of telling other countries that they should help pay for our Navy. We should pay for our Navy. We have a big operation not only in the Persian Gulf, but in all it stands for to stand up to our responsibilities there.

Senator D'AMATO. Mr. Secretary, I agree with you partially, and I have to respectfully disagree. I respectfully suggest that it is about time that our Japanese friends demonstrate their friendship with more than doing that which is good for their own national interests, and saying, to heck with the rest of it, because we know that the United States is going to be there.

I don't aim this at you. I just say that this has taken place for far too long. Consider some of our other allies, the Germans and others. We shouldn't be there on this basis. While it is in our interest to see that navigation is maintained, I think our allies have let us down. They have not stepped up to the plate the way they should and they can, which leads me to another question.

We are reflagging Kuwaiti ships. I know that we have to understand their sensitivities and their fear and concern of the Iranians. But my gosh, they can't have it both ways. We have to do all kinds of things as it relates to the minesweeping equipment, et cetera, and flying in helicopters, and we don't have the ability to use Kuwait for our helicopter operation. Is that correct? Have we asked them?

Secretary SHULTZ. We have certain things that are being done cooperatively, and things that our friends and allies have done. Some have done more than others. Our friends in the Gulf have been helpful. To a certain extent, the more explicit you insist on being publicly, the less we are able to get done, because people do have sensitivities.

Senator D'AMATO. I will leave that for another time. Hopefully, Mr. Chairman, we could have a meeting, a private meeting, with the Secretary to go over specifically what some of the Gulf nations are and are not doing. With the written reports and the media reports, from what we and the general public hear, it would be rather discouraging to think that here we are undertaking the course of action that we are. The very people that we are attempting to aid in this are not playing, I think, a meaningful role, and making it possible for us to do that.

Secretary SHULTZ. There is quite a lengthy list of things that the Gulf States are doing. I believe that that has been available to the Congress. Ambassador Murphy has testified extensively on the subject, so the material is around.

Senator D'AMATO. I would be interested in pursuing that in closed session.

Secretary SHULTZ. OK.

Senator D'AMATO. Thank you, Mr. Secretary.

Thank you, Mr. Chairman.

Senator INOUYE. Mr. Secretary, once again I thank you very much for your presence here. You have been extremely patient with us. Although some of your responses may not have satisfied all of us here, as always you have been very candid and forthright, and for that we are most grateful.

SUBMITTED QUESTIONS

We are also cognizant that you have a schedule to maintain, and we know that you have to be out of here to maintain your new appointment. With that, may we request that questions that are going to be submitted to you be responded to and shared with us. I am certain that all of us here have questions on the nitty-gritty of this Foreign Operations Subcommittee portfolio, so we will be submitting a whole lot of questions.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR INOUYE TO SECRETARY SHULTZ

AID LEVELS TO ISRAEL AND EGYPT

SENATOR INOUYE: Mr. Secretary, in Fiscal year 1985, the Congress provided $1.5 billion in supplemental funding to Israel and $500 million in supplemental funding to Egypt. These funds were provided in addition to amounts contained in the annual appropriations bill in order to supplement fundamental economic reforms both in Israel and in Egypt.

What can you report to the Subcommittee on the present state of the economy and government finances in Israel and Egypt? Has the stabilization program in Israel succeeded?

SECRETARY SHULTZ: The Israeli economy is much improved in comparison to the troubled years of 1984 and 1985. Since 1984, inflation has fallen from 445% to a range of 17% in mid-1987. The gross national product in 1987 is growing at an annual rate of 4.5%, double the rate of 1986. Unemployment is down to 5.5% in mid-1987 versus 7.1% in 1986. The government budget was in surplus in Israeli fiscal year 1986 and is near balance for the first half of fiscal year 1987. Foreign currency reserves are at a high level, $4.6 billion, the equivalent of four months of imports.

To date, economic policies implemented by the Government of Israel have reduced and stabilized the rate of inflation, strengthened the shekel and increased investment. As the Government of Israel continues to implement structural reforms, it will lay the foundation for future, stable economic growth.

Egypt is grappling with more fundamental economic problems, the solutions to which will necessarily be more long-term in nature. The Egyptian economy remains heavily state-controlled and inefficient, and is burdened by substantial levels of energy and food subsidies. Through our bilateral economic dialogue, the Administration is encouraging the Egyptian authorities to intensify the pace of deregulation and the introduction of market forces. Progress on these fronts accelerated in mid-1986, when the Egyptian Government began intensive negotiations with the International Monetary Fund on a reform program which culminated in the May 1987 approval by the IMF Executive Board of a $310 million stand-by program. The Egyptian program endorsed by the Fund incorporates a number of measures to reduce the budget deficit, curb credit growth, unify exchange rates, increase energy prices, decontrol certain agricultural activities and raise interest rates, all in an effort to introduce more market forces into the Egyptian economy. Subsequently, the Paris Club of official creditors agreed to reschedule some $8 billion in arrears and payments to provide breathing space for the effects of the reforms to be felt. While the pace of reform is slower than we would like, we endorse the overall policy direction and will continue to urge the Egyptian government to implement market-oriented reforms in the coming years.

SENATOR INOUYE: Last year you noted that in 1985 the Egyptian Government drew up a 13-point reform program in response to our provision of supplemental assistance.

Has Egypt implemented the 13-point economic reform program which you cited in your testimony last year?

SECRETARY SHULTZ: The 13-point program laid out in 1985 was a long-term strategy document addressing general policy directions in Egyptian economy which would restore economic growth through greater reliance on market forces. Progress has been made on more fully specifying and implementing most of these measures. For example, five of the thirteen points are addressed directly in the IMF stand-by program: reduction of the budget deficit, reduction of the balance of payments deficit, improving debt management, energy conservation, and improving productivity. Most of the other issues are the subject of sectoral dialogue with the World Bank and other bilateral agencies.

SENATOR INOUYE: Mr. Secretary, many members are concerned tht these two countries continue to receive a substantial percentage of the total of U.S. foreign assistance.

Do you foresee a time when their requirement for U.S. assistance will decline? Is it not true that past U.S. policies has created a dependency on continued high levels of U.S. assistance?

SECRETARY SHULTZ: The rationale for our economic and security assistance programs for Israel and Egypt stems from overall U.S. national security interests. Our long-standing commitment to Israel's security dictates that Israeli government officials be assured to adequate assistance levels to permit rational economic and security planning. Through well-developed bilateral institutional channels, we constantly test assumptions about Israeli assistance requirements against current and projected changes in the economic and security environment. As part of our economic dialogue with Israel, we have noted that long-term reliance on foreign assistance distorts the Israeli economy, is not healthy for Israel as a society, and should be phased out over time. The Israeli leadership shares these concerns and has implemented a comprehensive economic reform program to address its problems. Nevertheless, substantial assistance will be required for the immediate future. We will continue to monitor the economic and security justifications for our assistance carefully, but believe that the current needs more than justify the high level of resources we provide to Israel.

Similar economic and security considerations apply to the levels of assistance we provide to Egypt. The increase in our Egyptian assistance levels was designed to support Egypt's active participation in the Middle East peace process and its key role as a force for stability and moderation in a volatile region. Egypt's turn toward peace and away from confrontation was greeted by an Arab economic boycott and a decline in assistance frm other sources. It remains imperative for the U.S. and other Western donors to fill this gap - not only to help Egyptian economic and security planning, but equally to demonstrate our commitment to peace to those in the Middle East who have not yet accepted the peace process. Equally, as a vital and important friend of the U.S., Egypt needs help while undertaking important steps toward economic reform. Both we and the Egyptians agree that, over the longer term, it is in the best interests of both countries to plan for less dependence on foreign assistance. We will continue to monitor this issue regularly with the Egyptians, both in terms of progress they achieve on economic reform and their reintegration into the Arab world, which could attract additional external resources into Egypt. For the immediate future, however, we believe current levels are wholly justified.

EGYPT'S DEPENDENCE ON U.S. AID

SENATOR INOUYE: This year Egypt is to receive $815 million in economic support fund assistance and $1,300 million in forgiven FMS credits.

If we were to subtract from this total the amount Egypt must pay to the United States in fiscal year 1988 loan repayments, and if we were to subtract the amount Egypt must pay on progress payments on previously ordered military equipment, and if we were then to subract the amount Egypt must expend to meet the operations and maintenance costs of equipment which has been delivered, how much would be left?

The point that I wish to make in this question is that there is not very much room for a cut in assistance to Egypt. Is that not true?

SECRETARY SHULTZ: Your argument is correct. Egypt will receive $1.3 billion in FMS forgiven loans from the U.S. during FY 88. If we subtract from that amount progress payments on previously ordered equipment, operations and maintenance costs for previously delivered equipment, and recurring program costs, less than ten percent of the FMS money would be available for new programs.

With respect to economic assistance, only $115 million of the $815 million in total assistance was provided in cash form in FY 87. The remainder provided important infrastructure and commodities needed to revitalize the Egyptian economy. Furthermore, Egypt has incurred substantial budgetary costs associated with the operations and maintenance of U.S.-supplied economic facilities.

Egypt also has substantial payments due on previously contracted FMS loans, which will total approximately $100 million in FY 88 after the recently concluded Paris Club rescheduling is put into effect. Furthermore, Paris Club relief expires on June 30, 1988, after which Egypt's FMS payments return to an annual level of $450 million.

Once those payments are factored into the equation, it will mean that nearly all the $2.1 billion in security assistance is offset by Egyptian obligations from previous years. Hence your conclusion that there is little room to cut our assistance programs to Egypt is correct.

PHILIPPINES

SENATOR INOUYE: Mr. Secretary, it is now apparent that the new government in the Philippines has committed itself to implement many of the economic and military reforms which reform-minded Filipinos have been advocating for some time. It has done so with the strong support of the Congress, including the recently passed military assistance supplemental which brought the Fiscal Year 1987 funding total to $250 million in ESF funding and $100 million in military assistance grants.

I must question whether the Administration shares this commitment. When I look at the trend of assistance to the Philippines, I find a sharp decline. The recent totals in U.S. assistance are:

FY 1986	$488.6 million
FY 1987	$379.9 million
FY 1988 (proposed)	$266.2 million

Does the Administration share a commitment to economic and military reform in the Republic of the Philippines?

SECRETARY SHULTZ: Levels of military and economic assistance being requested by the Administration for the Philippines during FY 1988 are among the most generous being asked for any foreign nation. Large as that amount is, it is less than that actually appropriated during either FY 1986 and FY 1987, when assistance levels were boosted by unique and compelling circumstances. Assistance levels for FY 1986 included a $150 million emergency supplemental appropriation designed to help the new Aquino Government weather a serious budgetary crisis during its first few months in power. Assistance levels for FY 1987 included $200 million in economic support funds appropriated by Congress in a bipartisan gesture of good will during President Aquino's trip to the U.S. last year.

Despite high levels of U.S. assistance in past years, the economic and security situation in the Philippines remains critical. The Philippines is only now beginning to recover from a steep economic decline reducing real per capita income by 14 percent during the last years of Marcos rule. The Philippine Armed Forces, while having made some improvements in capability, continue to lack the training, mobility, communications and logistics support necessary to defeat a virulent Communist insurgency.

In spite of their clear needs and the importance of U.S. foreign policy objectives at stake in the Philippines, we have been deterred from seeking higher levels of assistance by stark fiscal constraints. The Philippines is only one of several countries whose foreign assistance requirements must go partially unsatisfied because of the massive reductions in our overall foreign assistance budget. We are cooperating closely with the Philippine Government and other interested donors in an effort to use most effectively the limited resources available to us.

In the wake of last month's unsuccessful attempted coup, we are again reviewing Philippine needs and the adequacy and propriety of our current programs. We will be focusing our attention on Philippine security assistance requirements. Any additional assistance for the Philippines will have to be new money, however, since our current foreign assistance funding has already been stretched to the limit. Despite hard fiscal realities, we believe that the Aquino Government warrants our continued strong support.

PHILIPPINES/SECURITY OF U.S. PERSONNEL

SENATOR INOUYE: Mr. Secretary, recently, within the past two weeks what is presumed to be a New People's Army assassination squad killed a high ranking member of the Government of the Philippines.

Are you satisfied that our security people have taken all reasonable precautions to ensure the safety of our diplomats and AID people in the Philippines?

SECRETARY SHULTZ: The security officer and DS have done everything possible to ensure that the lives of our diplomats and their families serving in Manila are protected against attack by terrorists.

From April 13-29, 1987, a survey team from the Bureau of Diplomatic Security, Physical Security Division, was in Manila. The team took note of the deteriorated condition of the seawall fence. In light of the immediate nature of the required upgrade, the team broke the seawall fence upgrade out of the project and requested the Regional Security Officer to provide drawings and estimates to the Department for review, approval, and funding. As a result of this course of action, $98,900.00 has been provided to the Post for the seawall upgrade. The contract has been awarded and construction was scheduled to begin on September 28, 1987. Plans call for a new 9-foot fence to be erected on top of the existing concrete seawall and the installation of two guard towers with appropriate lighting to observe the water area. Information received from Manila indicates that the project should be completed in about 120 days.

SENATOR INOUYE: During an April 1987 visit to the Philippines the Subcommittee staff noted that while a modern concrete barrier has been erected in the front of the Embassy to protect it against a Beirut-style car bomb, the rear of the compound--where a sapper or assassination squad could approach undetected among the other traffic on Manila Bay--is "protected" by a single, rusty wrought-iron fence which nearly fell over when it was shaken by hand. This raises questions about whether the State Department has learned any of the right lessons from Beirut or the September 1979 sacking of the U.S. Embassy chancery in Islamabad.

What are your views Mr. Secretary? Is the Department considering threats other than car-bombs or vehicle assaults?

SECRETARY SHULTZ: The appropriate offices in the Bureau of Diplomatic Security are considering all types of threats including bombs carried on persons, mob attacks, and technical threats. Appropriate action is being taken.

SENATOR INOUYE: Mr. Secretary, is it true that the offices of the AID Mission in the Philippines are housed on the sixth floor of a building with no sprinkler system to combat fires, and is it true that the fire fighting department of Metro Manila has no ladder trucks which can reach higher than the third floor?

SECRETARY SHULTZ: According to the September 9, 1986, Post Fire and Life Safety Inspection Report, done in Foreign Buildings Office, Fire Safety and Hazard Control, the AID Office Building Annex is housed in the RMC building, an 18 story building. The Annex occupies the 14th through 18th floors. Being on such high floors, it is true ladder trucks cannot reach this level. The building has no exterior stairways, has a manual fire alarm system and a wet standpipe system, both of which moderate the risk.

The report from the inspection, issued in February of this year, made a number of recommendations to improve fire safety for the AID employees in the building.

UNITED NATIONS FUND FOR POPULATION ACTIVITIES

SENATOR INOUYE: Mr. Secretary, one week ago I wrote to you asking that you personally review and decide the issue of continued U.S. participation in the United Nations Fund for Population Activities. As you know, the crux of the issue is an amendment which requires the President to determine whether the Peoples Republic of China has a program of coerced abortion and whether, if that is true, the UNFPA supports or participates in the management of such a program.

While I recognize that the President has delegated this authority to you with the specific authority to redelegate it., I believe you could regain the authority to make this decision, if you chose to do so. Do you agree?

Will you accept the responsibility of making this decision as intended by the Senate and the Congressional Conference Committee on the amendment in question?

Have you reached a decision on this issue? If so, what is your decision?

SECRETARY SHULTZ: In 1985 the President delegated his authority to make the determination specified in the Kemp-Inouye amendment to me and I redelegated it to the Administrator of the Agency for International Development. However, in 1986, the President delegated this authority directly to the A.I.D. Administrator in Executive Order No. 12163 as amended. I cannot reassume this authority. It is the President who would have to withdraw this delegation from the A.I.D. Administrator and provide it to the Secretary of State, if the President believed that was appropriate.

Under this Executive Order, the decision on funding for UNFPA for Fiscal Year 1987 was made by the Acting Administrator of A.I.D.. A.I.D. announced on August 13, 1987 that the $25 million that had been budgeted for UNFPA was being reprogrammed for other population activities.

SENATOR INOUYE: As I noted in my letter to you, in response to a question I asked you during our fiscal year 1986 hearings you said, "It is our understanding (i.e. the Department of State's understanding) that the Chinese Government does not sanction forced abortion..."

If the Department of State has gained knowledge of specific information which has brought about a reversal of this understanding, would you share this information with the Subcommittee?

SECRETARY SHULTZ: My appearance before this committee which you have cited was in March 1985. Subsequently, in 1986 the authority to make the Kemp-Inouye determination was delegated to the Administrator of A.I.D. Since that time the Administrator of A.I.D. has had responsibility for collecting and reviewing the necessary information on the Chinese program and has made the determination on behalf of the Executive Branch.

HONDURANS PROTECT DRUG KINGPIN

SENATOR INOUYE: We were all shocked in 1985 when a Drug Enforcement Agent, Enrique Camarena, was kidnapped, tortured, and killed in Mexico with the apparent complicity of certain Mexican police officials.

The Washington Post reported on Tuesday that one of the men wanted by the DEA in connection with the killing of DEA agent Camarena is Ramon Matta Ballesteros. The Post article describes Matta as the "executive director" of the Mexican cocaine operation . . . . and one of the top narcotics traffickers in the world.

The Post article concludes that "he now resides in Honduras, where he has been beyond the reach of DEA despite heavy U.S. influence in that country . . . ." according to antinarcotics officials.

In 1987 we gave Honduras $250 milliion in aid and you are requesting $278 million in 1988.

Given this enormous level of support for Honduras, why are they not cooperating with us in bringing this man to justice for the torture and murder of a U.S. Government employee?

SECRETARY SHULTZ: Ramon Matta Ballesteros is a fugitive from

U.S. and Colombian justice. There are, however, no charges pending against him in Honduras. The Honduran constitution prohibits extradition of Honduran citizens which prevents Honduran law enforcement authorities from turning him over to DEA or any other nation's law enforcement authorities.

Honduran cooperation with us on narcotics matters is consistent with our close, friendly relationship. Honduras is an active participant in the Hat Trick series of interdiction operations and, with the help of the U.S. Coast Guard, is increasing its patrolling of the waters off its northern coast. In addition, Honduras routinely cooperates in U.S. maritime drug interdiction and law enforcement efforts.

NARCOTICS: HAS ANYTHING CHANGED

SENATOR INOUYE: As I review that Department's narcotics activities I am struck by how little has changed and how the effectiveness of the international narcotics control program continues to be limited and undermined by the inaction of foreign governments.

In your 1987 Strategy Report you restate this common observation as follows:

> "Lasting success will remain elusive until governments accept fuller responsibility for a problem that affects viturally every member of the international community...."

You may be interested that 15 years ago, there was another strategy report issued by an earlier President's Strategy Council on Drug Abuse. It read as follows:

> "The key factor in dealing effectively with the drug problem overseas is to motivate other governments to take action within their borders to move against drug traffickers.....no amount of United States drug training or material assistance will prove effective in the absence of meaningful anti-drug commitment by other foreign governments involved."

Why, after more than a decade does this program continue to be plagued by a failure of political will on the part of other governments?

Does not the lack of political will in other governments, and the continuation of broad scale corruption in many source countries, make a diplomatic failure of a decade's duration?

Why should the Congress believe that your diplomatic efforts will be any more successful than they have been in the past?

SECRETARY SHULTZ: The record is that there is a significantly greater demonstration of political will on the part of the subject governments today than there was ten years ago, or even six years ago. In 1981, only Burma and Mexico among the major source countries were actively eradicating illicit narcotics crops. In 1986, as reported in the INCSR, 20 countries were eradicating crops, including 14 whose crop destruction campaigns were conducted with important assistance from the Department of State. This critical expansion of crop eradication programming not only moves us significantly closer to the day when we will in fact have control programs operating simultaneously in all source countries -- and, Afghanistan, Iran and Laos are the only exceptions -- but this expansion is a direct result of effective diplomacy.

POLICY ON MOZAMBIQUE

SENATOR INOUYE: Mr. Secretary, in the President's 1988 budget $10 million is requested for Mozambique. As I am sure you are aware, the 1987 Supplemental included a prohibition on aid to Mozambique.

Administration spokesmen have commented that Mozambique is moving away from the Eastern Bloc and moving toward the West.

Many in the Congress are wary. They believe that the change in Mozambique's orientation is just a front to win western aid.

What specific changes in Mozambique's policies can you point to which would justify repealing the prohibition on aid to Mozambique?

SECRETARY SHULTZ: Since 1982, the Government of Mozambique has steadily improved its relations and expanded its cooperation with Western countries, including the U.S.

It has worked closely with us and our Western allies in efforts to bring peace to southern Africa, through its historic negotiations with South Africa, through its strong support of the U.S.-sponsored Namibia/Angola negotiations, and more recently in its efforts to improve relations with Malawi.

While its overall record on recorded United Nations votes remains far from satisfactory, it continues to improve in response to our representations. Mozambique has broken with the Soviet Union on such international issues as Afghanistan, Cambodia, and Berlin.

In the security field, Mozambique has quietly moved to expand cooperation with western countries. It is sending Mozambican military officers to a British military training camp in Zimbabwe, and Mozambique hosted a British naval ship visit in November 1986. It is actively engaged in discussions of programs with other members of NATO.

The Soviets are displeased with Mozambique's movement toward the West. They are disappointed that Mozambique has never afforded them base rights nor allowed Soviet or Cuban combat troops to be deployed there. The Soviets actively opposed Mozambique's signature of a nonaggression pact with South Africa and Mozambique's departure from the Soviet line on such issues as Afghanistan and Cambodia. Over the past several years, the Soviets have reduced arms deliveries to Maputo and the number of Soviet and East bloc civilian advisors in Mozambique has dropped to the point where they are outnumbered by Western advisors. The Soviet objective of arresting the Government of Mozambique's turn to the West and of undercutting our negotiating efforts in southern Africa has been thwarted by our policy and that of our allies.

On the economic front, Mozambique has joined the World Bank, International Monetary Fund, signed the Lome Convention with the European Community, and entered into an agreement with the United States Overseas Private Investment Corporation--all of which have increased Mozambique's involvement with Western economic institutions. In addition, it has expanded the role of the private sector by selling off more than thirty state industrial enterprises to the private sector, as well as more than 13,000 hectares of state farm land to private farmers. The government has also offered incentives to private entrepreneurs by raising producer prices and allowing exporters to retain a portion of foreign exchange earnings. A new wage policy adopted in January 1987 encourages employers to reward their most productive employees with wage incentives.

Political liberalization in Mozambique is evident in the conduct of the 1986 elections, in which there were 20 per cent more candidates than seats available, thus affording voters a measure of choice and a chance to express their views. Some candidates proposed by the FRELIMO party were rejected by voters, and some candidates who were not members of the FRELIMO party were elected to the various assemblies. Balloting for district, city, and provincial elections was indirect, but was conducted by secret ballot for the first time.

In addition, the government's relationship with the churches has improved considerably over the past several years. Most churches that were closed after independence have reopened. President Chissano had a cordial meeting with Pope John Paul II in May 1987, and the Pope accepted his invitation to visit Mozambique in 1988. Pastoral letters critical of government policies issued by the Catholic bishops, including one which called for reconciliation between the government and RENAMO, have circulated widely and generated widespread discussion without reprisals from the authorities. The government recently allowed 1300 Jehovah's Witnesses expelled after independence in 1975 to return to the country.

These examples illustrate the depth and breadth of constructive change in government policy over the past several years. They have not been without cost to the Government of Mozambique in its relations with the Soviet bloc and in its relations with other African countries. Nevertheless, the Government of Mozambique has persisted because it believes change is necessary and in Mozambique's interest. We believe that the changes described above are not merely a "front", but a fundamental departure from an old, discredited approach. As such, they merit continued U.S. efforts to encourage a significant and quite positive trend. Our aid program, which assists private farmers in Mozambique to increase their production, has an outstanding track record and should be continued as part of this policy.

TRENDS IN FOREIGN AID APPROPRIATIONS

SENATOR INOUYE: Mr Shultz: In your testimony you present a harsh picture of the trends in foreign aid appropriations -- dropping from a high of $15.5 billion in 1981 to a 1987 level of just under $13.9 billion.

You warn that because of such cuts, "We now face the stark possibility that we will be unable to meet our basic foreign policy objectives because of the resource constraints."

Let me ask you to think about another set of figures. EX-IM Bank, while it is included in the Foreign Operations Bill, is not foreign assistance.

In 1981 EX-IM received $5.4 billion.
In 1987 EX-IM received $0.9 billion.
In 1988 EX-IM request is $1.0 billion.
That is a reduction of $4.4 billion unrelated to foreign assistance.

If you exclude EX-IM Bank-- and compare the total amount of foreign assistance--by that I mean developmental and security assistance--between 1981 and the present we see a different picture.

The total amount of foreign assistance has increased by 48 per cent between 1981 and 1987--and the President's request is 67% higher than the 1981 level.

What is the difference? -- all of it is EX-IM Bank, which while it is included in the Foreign Operations Appropriations Bill, is not foreign assistance.

Do you have any comments, Mr. Secretary?

SECRETARY SHULTZ: I believe comparisons to FY 1981 foreign assistance levels can be misleading. This Administration, which submitted its first budget in 1982, made a conscious policy decision to increase security assistance to our key friends and allies. This decision was taken to better equip these countries to withstand aggression and subversion than was the case in 1981. While we can claim some progress in meeting these objectives, much more remains to be done.

A fairer comparison of assistance levels would be to look at aid levels in FY 1983 (the first Reagan Administration budget), compared to our 1987 totals. In 1983, foreign aid totalled $12.8 billion, while in 1987 the total is $13.0 billion. The increase between 1983 and 1987 is 1.6%, far less than either inflation over that period (25%), or the increase in total Federal budget authority (23.7%).

With regard to the Export-Import Bank budget, it is true that the appropriation for Eximbank has fallen sharply since 1981 but this is primarily the result of a fall in market demand for EXIM's resources. Two phenomena are largely responsible for this reduction: (1) -- the fall-off in imports by LDCs induced by the international debt crisis, and hence reduced demand by those countries for export credits, and, (2) -- the narrowing of the spreads between market interest rates and the subsidized interest rates allowed under the OECD Export Credit Arrangement.

EARMARKING FOR MOROCCO AND TUNISIA

SENATOR INOUYE: Mr. Secretary, you have noted, "Earmarks have protected our programs in Israel and Egypt. However, assistance to Tunisia, Jordan, and Morocco this year had to be cut by 35%, endangering the security of friendly countries in an unstable area."

What has this reduction done to the security of Morocco and Tunisia?

SECRETARY SHULTZ: Sharp cuts in U.S. economic assistance and ESF come at a time when Morocco is implementing a courageous reform program to deal with severe economic and financial difficulties. The USG, in coordination with the IMF and the World Bank, has urged the Moroccan government to take the hard steps necessary to put its economic house in order. The program has involved economic liberalization, subsidy cuts, and wage restraint, and massive reductions in public investment expenditures. Results were encouraging in 1986, with higher growth and significant reductions in the budget and fiscal deficits. For 1987, however, other factors -- notably a fall in grain production, due to drought, and higher oil prices -- will reduce growth and make it even more costly for the Moroccan government to hew to the line of its austerity program. Declining levels of U.S. assistance undermine Morocco's ability to persevere in making needed economic reforms. Cuts in ESF have delayed implementation of projects which directly support economic reform.

All FMS was cut for Tunisia in FY 87, reducing military assistance to that country by one third. In discussions with USG leaders in Washington recently, Tunisian Defense Minister Baly said that if Tunisia were required to absorb any additional cuts it would be unable to purchase even spare parts to sustain hardware already purchased. Purchases of new equipment are already severely restricted due to the cuts already absorbed. Libya remains a permanent threat to Tunisia, which will continue to need U.S. equipment to offset this threat.

The steep cuts that have been made in financial assistance levels for Jordan can likewise be expected to have a negative impact. Jordan now faces a deepening economic recession as worsening financial constraints affect economic growth. Presently anticipated levels of U.S. economic assistance fall below levels which demonstrate continued U.S. commitment to Jordan's economic and political stability.

SENATOR INOUYE: Morocco has been particularly supportive of U.S. policies and interests. It has offered the United States access to military facilities and communication facilities of considerable interest to the United States. It has been courageous in its efforts to work with Israel to achieve peace in the Middle East.

Is that not true?

Tunisia has also been supportive of U.S. actions in the Gulf of Sidra, which Mr. Khadaffi considers his lake. Tunisia has been threatened by Libya because of its alignment with the United States.

Is that not true?

SECRETARY SHULTZ: Morocco has been very supportive of U.S. interests in the ways that you mention. It is also worth noting that King Hassan, in taking the initiative to meet earlier with Israeli Prime Minister Peres, has demonstrated a willingness to take political risks for peace in the Middle East.

Tunisia refused to be a party to Arab League resolutions condemning the United States for its incursions into the Gulf of Sidra or its attacks on Tripoli and Benghazi, despite pressures to do so. Libya's aggression towards Tunisia is motivated in part because of Tunisia's friendship with the United States -- a friendship which Qadhafi regards as inimical to his efforts to exert greater influence over internal Tunisian affairs.

SPECIAL ASSISTANCE TO JORDAN

SENATOR INOUYE: Mr. Secretary, I want to applaud your efforts to secure special assistance for Jordanian development programs on the West Bank and in Gaza. I am confident that this Subcommittee will support the recently submitted budget amendment which will provide an additional $23 million in Economic Support Fund assistance to Jordan for this purpose.

Has your Department reached full agreement with the Department of Defense on offsets which will be offered to avoid any budget authority or outlay increases?

Would you care to explain to the Subcommittee why you have given particular emphasis to this program?

I understand that the Government of Israel also supports this Jordanian program. Is that correct?

SECRETARY SHULTZ: The Department of State and the Department of Defense are agreed that a FY 1988 DOD budget offset will be identified to permit a transfer of $23 million to the Economic Support Fund account for Jordan's program on the West Bank and Gaza. The Department of Defense is currently working to identify the appropriate budget offset.

We have given particular emphasis to this program because we support all efforts to improve the quality of life of the Palestinians living in these territories. The Jordanian program will complement our bilateral program in this area.

Although the Government of Israel has not formally endorsed Jordan's program, it supports efforts to improve the quality of life in the West Bank and Gaza and has not raised any objections to the Jordanian program since it was announced a year ago by the Government of Jordan.

POSSIBLE LOSS OF BASE RIGHTS

SENATOR INOUYE: Mr. Secretary, you have said, "The reductions under consideration raise fundamental doubts about U.S. dependability and risk the loss of vital military and port facilities."

Would you elaborate on this statement in the light of the $2.9 billion reduction in budget authority which this Subcommittee will have to take from the President's foreign assistance request in order to comply with its 302(b) budget allocation?

SECRETARY SHULTZ: Our arrangements with Greece, Turkey, Portugal, Spain, and the Philippines have been structured on the basis of shared security objectives and, in the case of the European base rights countries, of shared strategic goals and obligations within the NATO alliance. Associated with these agreements are pledges to seek security assistance that will help the host countries strengthen their economies and improve their military capabilities so that they will be able to contribute more effectively to the common defense. These countries understandably view their granting of facilities for U.S. bases on their territory and the United States' provision of security assistance as reciprocal manifestations of a security partnership.

The assistance we have requested for FY 88 reflects the commitments we have made in connection with our base agreements. A $2.9 billion reduction in budget authority, combined with prospective earmarking, faces us with the prospect of either failing to meet our commitments to the base rights countries, as we were forced to do in FY-86 and FY-87, or eliminating or drastically curtailing programs in other key areas of the world. In fact, it could force us to do both. The picture is particularly devastating if we were to be confronted with the diversion of $532 million into the Guaranty Reserve Fund, as is contemplated in the current House bill.

The recent shortfalls from our commitments have already created strains in our bilateral relationships with the basing countries and have contributed to political pressures for those governments to reexamine existing agreements. Our inability to meet GOT expectations for Security Assistance was a factor in their decision in 1985 to request consultations on the current Defense agreement and their subsequent decision not to ratify the modifications to our base arrangements that were negotiated and agreed upon last year. We have been in the unfortunate position of entering very delicate negotiations on our use of Spanish bases just as we fell 75 percent below our request for Spain. We have recently seen media reports of statements by GOP officials suggesting that the failure to meet our pledge to Portugal may lead to a request to review our basing agreement with Portugal two years early (in 1988), and the possibility of GOP restrictions on our non-NATO use of Portuguese facilities. We will be entering into negotiations with the GOG concerning the retention of our bases in

Greece in the near term and GOG officials have clearly indicated that our willingness to support Greek military modernization will be a significant factor in determining whether or not our bases remain in that country. The United States' record and the credibility of its pledges to help Greece, Portugal, and the Philippines meet economic and military requirements essential to their stability and security will therefore play a major role in the renegotiations of the agreements with these countries which are scheduled to occur in the next two to three years. In the Portuguese case, either side may call for a review of the existing agreement in February 1988 and the Portuguese Government has indicated it is considering doing so.

MILITARY ASSISTANCE PROGRAM: TURKEY

SENATOR INOUYE: Mr. Secretary, the Administration is requesting the appropriation of $914.9 million in security assistance funding for Turkey in Fiscal Year 1988.

These funds are requested in support of the current Defense and Economic Cooperation Agreement, the so-called DECA, between the United States and Turkey.

Has that agreement been ratified by the Turkish Government?

Under the terms of the DECA, the President of the United States pledges to make his "best effort" to obtain resources in support of that agreement.

What are Turkey's responsibilities under the DECA?

SECRETARY SHULTZ: Our 1980 Agreement on Defense and Economy (DECA) with Turkey was extended until December 1990 by an exchange of letters signed in March 1987. Subsequently, Turkey announced in April that it was delaying ratification of the agreement, pending the outcome of various developments affecting Turkey in the U.S. Congress. Until ratification of the DECA extension agreement by the Turkish Government, the 1980 DECA continues in force on a year-to-year basis. Turkey is concerned with proposed Congressional action which would bar transfers of U.S. military equipment to Turkish forces on Cyprus, draft language which would specify a 7:10 ratio in aid to Greece and Turkey, and expected reductions in the level of assistance to Turkey.

Under the original DECA of 1980, Turkey authorizes the United States to participate in joint defense measures at Turkish military installations, including for such stated purposes as air operations and support, electromagnetic monitoring, radar warning, space monitoring, seismic data collection and radio navigation.

SENATOR INOUYE: Through a briefing for CODEL Sasser, held at Sixteenth Air Force Headquarters at Torrejon, Spain in late June, the committee confirmed that U.S. equipment and vehicles were stored in the open at Incirlik, Turkey because of the failure to ratify the DECA. The equipment was subject to corrosion and other harmful effects of the weather. Under the DECA, this military hardware was to have been prepositioned and sheltered at various co-located bases in Turkey.

To the committee's best knowledge, these NATO warfighting supplies remain in the open with no protection from the weather.

Is this military hardware still being stored in the open?

Why has Turkey refused to allow them to be sent to their preposition points and to be placed under protective storage?

SECRETARY SHULTZ: It was the United States which decided to move this war readiness materiel (WRM) into Turkey, chiefly at

Incirlik Air Base, despite the fact that final locations for ultimate use of this materiel at co-located operating bases (COBS) were not ready. The Department of Defense did this so that the equipment, composed primarily of vehicles, could be present in-country should a crisis occur. The holdup in forward placement of the equipment was not a function of the status of DECA, but rather was bound up with the negotiations for Technical Arrangements for the COBS. These arrangements have now been completed and preparations made for moving the equipment to at least temporary locations at the COBS, pending construction of permanent facilities. It should be noted that most military vehicles are stored outside at most military facilities throughout the world, although placement of the WRM equipment at either temporary or permanent COBS locations will permit somewhat greater ease of maintenance.

SECURITY ASSISTANCE: GREECE/TURKEY/CYPRUS

SENATOR INOUYE: Mr. Secretary, what is the current state of affairs on Cyprus? Do you think the efforts of the United Nations Secretary General will lead to a resolution of the Cyprus dispute?

In questions which I submitted to Under Secretary Derwinski, I asked for specific information with respect to the number of Greek and Turkish troops on the island of Cyprus. I also asked for information on the question of the use of U.S. supplied equipment to modernize forces on Cyprus.

I am certain that you understand that these issues will figure large in the Subcommittee's consideration of the President's request for Security Assistance to Greece and to Turkey.

Do you have any thoughts on these matters which you wish to share with the Subcommittee.

SECRETARY SHULTZ: In his last report on United Nations operations in Cyprus (covering the period December 1, 1986 to May 29, 1987), the Secretary General stated that a deadlock exists in his efforts to restart effective negotiations between the parties. He noted that distrust between the leaderships of the two communities remains deep; tension has risen over the question of Varosha; a potentially dangerous military build-up is taking place on the island; and the UNFICYP troop contributing governments are increasingly dissatisfied, both at the growing financial burden they have to bear and at the lack of progress on the political front. The Secretary General reiterated some of these points in much briefer form in his report to the United Nations General Assembly on the overall work of the United Nations (dated September 9, 1987). Despite the difficulties, however, the Secretary General affirmed his determination to explore with the parties measures which would create confidence, in the hope that it will be possible to resume the negotiating process and build on what has been achieved so far. We believe the Secretary General's approach remains the most promising with its elements of codifying points of past agreement, identifying realistic cooperative steps, and establishing a framework for addressing the most difficult issues. We continue to urge the parties to the dispute to cooperate to the utmost with his efforts.

With respect to Turkish troops on the island, Turkish mainland forces in recent years have fluctuated between 22,000-30,000 troops. Their present strength could be at the upper level of this range. We have expressed our concern to appropriate Turkish officials on this matter, as has the UN Secretary General. The Secretary General noted in his latest report that he was told the level of Turkish forces in Cyprus fluctuated because of the need to train newly arrived conscripts before the troops they are to replace are rotated back to Turkey.

Greece maintains an infantry unit of at least 950 men, a commando unit of 350, and a substantial number of officer specialists and other personnel seconded to the National Guard on Cyprus. We have seen claims that Greece is increasing its military presence on the island. We are examining these claims, but do not yet have confirmation. The Republic of Cyprus National Guard consists of 12,000-13,000 men, with 30,000 immediate reserves, and another 30,000 second line reserves.

As part of the modernization program for all of its forces, the Turkish Army is upgrading its tanks with the M48A5 model. Turkish forces deployed on Cyprus are being equipped with this tank, as are Turkish forces elsewhere. As a practical matter, it is to be expected that Turkish forces deployed to, and rotated from, Cyprus are likely to be equipped similarly to other units of the Turkish armed forces. The Greek Cypriot side also qualitatively improved its forces over recent years and there are reports of major new equipment purchases pending.

The Presidential Determination of September 26, 1978, taken under the authority of the International Security Assistance Act of 1978, permitted resumption of full military cooperation with Turkey and eliminated previous conditioning of such assistance on Turkish actions with regard to Cyprus. At that time, regular units of the Turkish armed forces were deployed, as they are today, in Cyprus as well as on the territory of Turkey. In every year since 1978, we have provided military assistance to Turkey for the use of its armed forces. We do not believe there has been any recent material change in circumstances regarding Turkish use of U.S. military assistance which would warrant changing our approach to the provision of assistance.

SPAIN

SENATOR INOUYE: Mr. Secretary, last year, in your opening statement, you cited the Spanish referendum on continued participation in NATO as evidence of the impact foreign assistance can have on encouraging others to join with us in support of freedom and liberty.

I note that Spain has had something of a change of heart and is asking the United States to give up its rights at the air base at Torrejon.

Does this reveal a situation where our failure to provide foreign assistance resources led to diminution of the willingness of others to join with us in support of freedom and liberty?

SECRETARY SHULTZ: The difficulties we are experiencing in the ongoing base negotiations with Spain may not be attributed directly to the decline in U.S. security assistance to Spain. The reasons are much more complicated and derive from the history of the U.S.-Spanish security relationship over the last thirty years.

SENATOR INOUYE: The funding requested for Spain is $265 million in Foreign Military Sales credits and $12 million in Economic Support Fund monies.

This funding is requested in support of the base rights agreement the U.S. has with Spain.

Would it be helpful to your negotiators, if the Subcommittee were to prohibit the release of funds until such time as a satisfactory resolution has been reached allowing continued U.S. access to the air base at Torrejon?

SECRETARY SHULTZ: We do not believe this would be helpful. Although it does not help our credibility at the negotiating table when we reduce our assistance to Spain by 75 percent at the outset of new talks, the difficulties we are wrestling with have arisen from a variety of complex factors not directly related to fallen levels of U.S. security assistance. Both the U.S. and Spain have approached these talks in a spirit of friendship and cooperation and tactics such as these would in fact be counterproductive.

SENATOR INOUYE: What is the justification for assistance to Spain?

SECRETARY SHULTZ: We have traditionally provided security assistance to Spain within the framework of our various defense agreements both before and after Spain became a member of the North Atlantic Alliance. Associated with these agreements has been a pledge to provide assistance to Madrid in modernizing its own forces, thus helping to improve the overall defensive posture of the Western democracies. Our request for FY88 will go in large part to finance Spain's acquisition of F-18 fighter aircraft. However, as we look to the future both the U.S. and Spain recognize that Spain is increasingly able to finance the costs of its own force modernization.

SENATOR INOUYE: Should the Spanish not provide base access as part of their NATO responsibilities?

SECRETARY SHULTZ: It is the U.S. view, frequently expressed to the Spanish during the course of the present base negotiations, that one of Spain's most significant military contributions to the common defense is, and should be, providing the U.S. access to Spanish base facilities. This goes to the heart of the issue of burden sharing, one of the fundamental principles of the Alliance.

FMS DEBT REFORMS

SENATOR INOUYE: Mr. Secretary, what is the present status of the FMS debt reform proposals which were jointly developed by the Department of State and the Department of Treasury earlier this year?

SECRETARY SHULTZ: The Administration has not altered the basic elements of the two FMS loan restructuring proposals since the initiative was launched in December 1986. The proposals offer FMS borrowers the opportunity to prepay their FMS guaranteed loans at par without a U.S. Government guarantee or to capitalize part of their interest payments for full payment, with interest, by each loan's maturity.

SENATOR INOUYE: Have any countries elected to make use of these provisions? Do you expect any countries to do so?

SECRETARY SHULTZ: Over the past several months, we have held follow-up discussions with several countries on the possibility of participating in the two options. Five countries -- Korea, Spain, Oman, Thailand and Pakistan -- have expressed interest in the prepayment option. Oman and Korea are planning to prepay all their loans on or about October 1. If the others decide to participate, they are likely to do so sometime in October as well. Discussions on the interest capitalization option are continuing with Turkey, El Salvador, Honduras, Jordan and Tunisia. Egypt and Israel have thus far declined to participate in either option as currently formulated.

SENATOR INOUYE: I think that we may have to reopen the entire question of foreign official debt -- economic and military. From your prepared remarks, I would deduce that you share my views that heavily-indebted countries have found it necessary to curtail imports from the United States and that this has hurt U.S. trade. Am I correct in my reading of your prepared remarks?

SECRETARY SHULTZ: A high level of foreign indebtedness clearly remains a serious problem for many of our strategic friends in the developing world. We need to examine FMS debt carefully because for a good number of countries (e.g. Egypt, Israel and Turkey) this debt represents a significant portion of their overall foreign debt. In many cases, large foreign debt has caused developing countries to reduce their imports from the U.S. as well as other industrialized countries. In the final analysis, however, it is not the size of foreign debt that limits a country's import potential. Rather it is the lack of robust, sustainable growth which can only come from sound economic policies.

The two FMS restructuring options are intended to help FMS borrowers manage their FMS debt more effectively and provide relief from currently above-market interest rates on outstanding FMS loans. Other U.S. initiatives are also aimed at assisting countries manage their foreign debt payments, both military and economic, while promoting economic growth and structural adjustment. Under the Baker Plan, the U.S. is encouraging international financial institutions, commercial banks, official credit agencies and debtor countries themselves to work together on the debt problem. We are also participating constructively in the multilateral Paris Club forum to reschedule debt payments of official credit agencies on the condition that the debtor country undertakes IMF-supervised reforms.

Despite considerable progress, the debt problem remains serious in many countries in which we share security interests and merits our continuing attention.

WRIGHT/REAGAN PLAN

SENATOR INOUYE: I think that most of us were very hopeful yesterday when the President announced his new peace initiative in Central America. That optimism was tempered, however, when the Administration announced its rejection of direct talks with the Nicaraguan Government.

In the rejection of the Nicaraguan offer of direct negotiations, you stated that there must be a regional approach to peace negotiations.

I have two questions about the U.S. position on negotiations with Nicaragua. First, does not an immediate rejection of the Nicaraguan proposal for direct negotiations undermine the momentum for peace in the President's peace proposal?

SECRETARY SHULTZ: As we have stated, negotiations to resolve tensions in Central America must involve all the countries in the region. The United States does not want to sit down with Nicaragua to decide between us what is right for Central America. The solution to the crisis should be the result of regional negotiations. The Sandinistas have pursued a strategy of engaging the United States in a series of bilateral discussions which would deal only with our most immediate security concerns. The regional issues of democratization, size of armed forces, and support for subversive movements would be left, according to this strategy, for bilateral negotiations with the other Central Americans. The goal is to bind the United States politically by an agreement that abandons the Nicaraguan Resistance in return for some unspecified concessions on Soviet bloc advisers and use of Nicaraguan territory by the Soviet Union.

Once the agreement is struck and the Resistance is eliminated, the Sandinistas would be free to pursue bilateral negotiations with their neighbors from a position of extraordinary strength. While elimination of Soviet bloc presence from Nicaragua is obviously important to us, it would constitute a hollow victory in the absence of control on Sandinista regional power.

We and the Central American democracies agree that democratization in Nicaragua, a reduction of the Sandinista military, and end to support for insurgencies, are crucial elements for any genuine Central American peace agreement. Those issues can only be worked out in a regional framework, and we must stand by the Central American democracies until a regional and comprehensive agreement is reached. We do not undermine peace efforts by not accepting the calls of the Sandinista government for direct negotiations. On the contrary, the best way to undermine the peace process would be to rush headlong into bilateral talks with Nicaragua in the absence of any real movement in the regional talks.

The Wright/Reagan plan reflects a consensus of U.S. interests in Nicaragua: an end to ties with the Soviet Union and Cuba; end of subversion and restoration of regional military balance; and bringing democracy to Nicaragua. It provides a realistic approach to achieving a negotiated peace. Our policy regarding direct negotiations with Nicaragua in no way undermines the momentum for peace expressed by the Wright/Reagan plan. But the real momentum must come from the five Central American countries. That momentum was expressed in part in the signing of the Guatemala Agreement on August 7to a democratic transformation in Nicaragua. The Central Americans, particularly Nicaragua, must continue the momentum by taking steps to live up to their commitments under the Guatemala Agreement. The reopening of the Nicaraguan opposition daily, La Prensa, is a positive step on the part of the Sandinista government. But there remain others, for example, a negotiated cease-fire, and initiation of talks with the Resistance.

SENATOR INOUYE: Second, do you rule out direct negotiations with Nicaragua as part of a regional peace effort?

SECRETARY SHULTZ: No, we do not rule out direct talks with the Sandinistas. As we have indicated in the past, however, we would consider such talks after the Sandinistas have begun a serious negotiating process with their opposition, including representatives of the Resistance. Those talks would be designed to move the regional talks forward. They would support and complement the regional talks, and not be designed to supplant them. The solution to the crisis in Central America should be the result of regional negotiations.

NO EFFECT OF CONGRESSIONAL DRUG RESTRICTIONS

SENATOR INOUYE: Mr. Shultz, as you know, the Department of State has responsibilities far beyond arms control. One of the most important of these is the Department's role in reducing the supply of drugs in the world. The American people believe deeply that progress must be made in reducing the threat of drugs to our society.

We want to do all that we can to assist you.

In the Drug Abuse Act the Congress gave the President a new tool to reduce illegal drug production. Section 2005 of the Anti-Drug Abuse Act of 1986 requires that half of the bilateral assistance be withheld from any country that is not cooperating in the eradication or control of illegal drugs.

From reports submitted by the Department of State it would appear that nearly everyone is cooperating and that the 50% reduction in U.S. aid would only apply to three countries--Syria, Afghanistan, and Iran.

Since the U.S. gave no aid to these countries in 1987 and none is requested in 1988, the law has had little impact. Do you believe that the Administration is using this provision of the law as an effective lever to control the drug trade?

Does the Administration believe -- and expect the Congress to believe -- that all countries except Syria, Afghanistan, and Iran, are cooperating with the U.S. drug control effort?

Can the new law be used as an effective lever or must it be changed if it is going to be effective?

SECRETARY SHULTZ: In accord with the law, which was not enacted until October 1986, the Department immediately constructed a list of countries considered to meet the statute's definitions of "major source" or "major transit" countries, and withheld 50 percent of FY 1987 economic and military assistance from each country receiving these types of aid. The balance was released after the President certified the cooperating countries, on March 1, 1987. In FY 1988, we anticipate that as much as $1.5 billion will be withheld, beginning October 1, and will not be released until after the President makes his decisions on certification, which will be March 1, 1988.

We believe the withholding of aid, but even more the fact of certification, has had a significant impact on all source countries. In the period of time the law has been available to us, we think we have used it judiciously to improve narcotics control efforts in several countries, including nations where governments have elected to employ herbicidal eradication. We believe cooperation from these countries is improving. The law essentially works. We did propose changes to Congress, e.g., an articulated definition of "major transit" country, and an exclusion clause which allows us to advance funds to countries which are unquestionably cooperating but who require a greater initial outlay than 50 percent. These issues have not been resolved.

NO CUTS TO NON-CERTIFIED COUNTRIES

SENATOR INOUYE: In the Anti-Drug Abuse Act the Congress clearly established as national policy that half of U.S. assistance should be suspended for any nation that is not cooperating in the eradication or interdiction of illegal drugs.

The State Department has reported that the 19 nations have been certified as cooperating and 3 as not cooperating.

Certified as Cooperating	Certified as Vital National Interest	Not Certified as Cooperating

Bahamas
Belize
Bolivia
Brazil
Burma
Colombia
Ecuador
Hong Kong
India
Jamaica
Malaysia
Mexico
Morocco
Nigeria
Pakistan
Panama
Paraguay
Peru
Thailand

Laos
Lebanon

Afghanistan
Iran
Syria

It is no secret that, in many of the nations certified as cooperating, illegal drugs are grown, processed, or transported.

In comparing the lists of the nations that have been certified and those that have not been certified, it would appear that you have certified our friends as cooperating, and not certified those nations that are not our allies.

Are other foreign policy considerations driving our decisions on whether a nation is cooperating in reducing or interdicting drugs?

Does this administration consider cooperation in drug matters a litmus test of a nation's friendship with the United States?

SECRETARY SHULTZ: The Department made 24 individual decisions, weighing which of the three options applied. Given that the law was enacted on October 27 when we were about 11 months into the reporting year on which certification decisions are based, we pursued the guidance in the statute that we consider not only what had been in 1986 but those programs and actions proposed for 1987. We considered, as the law requires, the varying economic, social, geographic, political and climatic factors affecting crop production and control efforts. On this basis, as we discussed in later testimony, we thought a case could be made for cooperation for each country we certified.

Obviously, narcotics production and/or trafficking continues in each of these countries. But, whether the issue is eradication -- and there are now crop destruction efforts in each source country certified -- or cooperation on enforcement, there has been some improvement in cooperation in every country on the list. We do indeed consider cooperation on narcotics an important issue in the bilateral relations with each country. Each of these governments fully understands we believe their performance can be improved, and our annual report reflects that expectation.

We could not certify Laos or Lebanon on the basis of narcotics control efforts, but believe other national interests warranted a continuation of assistance. The consideration in Laos was cooperation on MIA/POW issues, and in Lebanon the major factor was that the Syrian army controls the Biqa' Valley where the narcotics trade flourishes.

DRUG ACTIVITIES AND U.S. ASSISTANCE

SENATOR INOUYE: In enacting the Anti-Drug Abuse Act of 1986 the Congress firmly established the principle that the level of bilateral assistance that a national receives should be directly related to its action in controlling illicit drug production or distribution.

Just two months ago, the General Accounting Office, in examining bilateral assistance levels to major drug producing nations, reached the following conclusion:

> "...there is no consistent trend between a country's level of narcotics production and the level of foreign assistance received."

Do you agree with this assessment?

I would also like you to respond to a further statement by GAO. According to GAO, officials of your narcotics matters bureau were:

> "unaware of any formal or informal arrangements that would reward or penalize a country for decreases in production levels.."

Is the General Accounting Office correct?

SECRETARY SHULTZ: The General Accounting Office, as indicated by comments to State officials when they were preparing their report, assumed that assistance levels somehow rose or fell in proportion to levels of narcotics crop production. There is no linear relationship as such, e.g., no formula that would reward a country with a 10 percent increase in economic support funds if it decreased opium production by 10 percent. We don't think such formulas could be constructed equitably. For example, a major downturn in opium production in both South Asia and Southeast Asia in 1984-85 seasons was well in excess of crop eradication efforts and was in fact due to drought. On the other hand, a truly strong eradication campaign in Jamaica was offset by traffickers paying farmers to double their planting -- which could only be detected when the plants matured.

However, while decisions on types and amounts of foreign aid and decisions on narcotics assistance are arrived at based upon independent assessments of need and proposed levels of program activity, consideration is given to cross-disciplinary issues. This linkage can take several forms. For example, we condition economic and military assistance, as required by law, to narcotics performance in Bolivia, but, development assistance is also keyed to narcotics performance in our agreements with that government. At the same time, our crop control agreements in Thailand, Pakistan, Bolivia and Peru are conditioned upon our giving assistance to crop growing areas, and we have to consider each year whether the aid we propose continues to be sufficient as an economic inducement to facilitate our crop control program.

Moreover, as GAO is aware, these formal agreements can result in a country being penalized. A portion of 1987 aid to Bolivia has just been suspended because it failed to meet targets for reducing crop production.

MORE SPENDING BUT COCAINE CHEAPER

SENATOR INOUYE: Since 1981 spending for international narcotics control has increased dramatically. While many domestic programs have been reduced, funding for international narcotics controls has more than doubled.

However, in spite of spending more and more on this effort, the Drug Enforcement Administration reports to us that the price of cocaine has gone down--from about $60/kilo in 1982 to $30/kilo in 1986.

If eradication efforts were successful, and other nations were actively cooperating in eradication and interdiction, would not the reduced supply be driving the price up?

SECRETARY SHULTZ: The National Narcotics Intelligence Coordinating Committee estimates that about 165,000 hectares of coca are under cultivation in the Andes, which could produce as much as 300-350 metric tons of cocaine. Actual cocaine production is about half that amount, because of inefficiencies in refining. The United States consumes 70-75 metric tons of cocaine, which can be supplied by only 37,500 hectares of coca.

Obviously, the need is to sharply expand coca control efforts in the Andes, and the recent increases in our international budget have just begun to give us the capability to support comprehensive eradication programs. At present levels of cultivation and production, there could be wide swings in wholesale and retail prices as a result of drought, improved efficiency in refining, over-cultivation and other factors. Operation Blast Furnace proved that our control efforts could impact upon price; we are striving to achieve an operational level among the various national police and military forces that can disrupt this market and reduce cocaine availability. We have not achieved that capability yet.

CEILINGS ON FOREIGN ASSISTANCE SPENDING

SENATOR INOUYE: Mr. Secretary, as you may know, on Wednesday of this week, after consideration of numerous and varied proposals for the allocation of budget authority and outlays among its Subcommittees, the Appropriations Committee adopted an allocation which sets the ceiling on appropriations by the Foreign Operations Subcommittee at $13.01 billion in Budget Authority and $12.0 billion in outlays.

This is $2.9 billion less than the President's budget request for programs under the Subcommittee's jurisdisction. The President's budget request, as reestimated by CBO -- which will score the actions of this Subcommittee -- totaled $15.9 billion in budget authority and $12.2 billion in outlays.

How will this action by the Senate Appropriations Committee (and House action on Thursday marking up the fiscal year 1988 bill at approximately the sam levels) affect your priorities in the Foreign Assistance program?

SECRETARY SHULTZ: Mr. Chairman, not only is the Subcommittee's ceiling $2.9 billion less than our request, it is almost a billion dollars below what we are currently working with. Moreover, if you look at the way the House treated the Guaranty Reserve Fund, by earmarking $532 million for something we did not request nor do we think necessary, the actual reduction from current levels is more like $1.5 billion. The irony here, Mr. Chairman, is that these reductions really amount to no more than a rounding error in the effort to get the federal deficit under control. Indeed, the entire foreign affairs budget, which includes more than the foreign aid programs under this Subcommittee's jurisdiction, totals less than two percent of the overall expenditure budget of the government.

But I understand that the Subcommittee's spending ceilings are beyond your control and dependent on broader issues. You have asked me in effect how to allocate a shrunken pie. The question touches on the philosophical issue of whether one simply trims all programs evenly - "watering the soup" - or protects some higher priority accounts by cutting the lower-priority programs by more than their "fair share". I will respond by noting one, overriding fact. If you decide, or are compelled by the Budget Committee, to treat the GRF as the House has done, you will have answered your own question, because the House has basically gutted the security assistance accounts in order to perform a bookkeeping chore which is not in our judgment even necessary. By funding the GRF the way the House has done, the foreign assistance program will in one fell swoop become relatively weighted towards the bilateral development assistance accounts and the multilateral accounts and away from security assistance.

Let me be clear: I don't believe the House bill provides adequate amounts for bilateral development assistance or the multilateral accounts. What I am saying is that the insistence on funding GRF and the way in which this was done - by earmarking the FMS account - has clearly skewed our foreign aid programs away from the Administration's policies. What concerns me most of all, I suppose, is that this is being done without any debate on the issues whatsoever. It is being cloaked in confusion about scorekeeping, mandatory versus discretionary appropriations and a maze of arcane budget practices.

I appeal to you, Mr. Chairman, and to the Subcommittee, don't allow major issues like the relative weights of development or security assistance, bilateral or multilateral assistance, to be determined by purely technical constraints. If you spread the $532 million (which the House has diverted to the GRF) throughout your bill, based on your own best judgement as the committee of jurisdiction over these accounts, you may not be able to meet every policy objective we outlined in our budget submission, and you may not even be able to fund all the programs and countries we are currently funding, but at least you will be making informed choices and tradeoffs rather than retreating behind accounting conventions and technical constraints.

NEED TO REPLENISH GUARANTEE RESERVE FUND

SENATOR INOUYE: Mr. Secretary, for several years I tried to interest the Department of State in my concerns with the growing FMS debt of countries which were in deep financial trouble. I was repeatedly told that the State Department carefully evaluated the debt situation of FMS recipients and their ability to service additional loans.

When I noted that defaults and reschedulings would very likely deplete the resources of the Guaranty Reserve Fund, I was given what can now only be regarded as perfunctory answers.

In our fiscal year 1984 hearing, Undersecretary Schneider said, "The Administration recognizes that there will be a need to provide for replenishment of the Guaranty Reserve Fund...if depleted at the present rate, the fund will drop below the $750 million level in FY '84. We are required by law to inform the Congress when that occurs, and propose remedial action."

I was assured that the Administration would propose corrective action--i.e. appropriations-- when the reserve dropped below $750 million. The Department is now arguing that no replenishment is required.

What am I to think, Mr. Secretary? Either I was misled in the past or the Department has come up with a new "gimmick" to avoid the consequences of its past actions. Which do you think it is?

SECRETARY SHULTZ: Unfortunately, Mr. Chairman, much has changed since 1984.

At the time that Under Secretary Schneider testified in your FY 1984 hearings, he correctly stated that the fund would drop below the congressional notification threshhold of $750 million if the then-current rate of depletion continued. Egypt, at that time, was on its way to, but not yet at, a "brink of Brooke" payment schedule.

The Administration complied fully with the law and notified Congress when the GRF fell below the $750 million figure. Remedial action was also proposed. In the President's FY 1986 budget presentation, it was proposed that the GRF be funded by means of a permanent, indefinite appropriation. Had Congress acted favorably on this request, the GRF would have always had immediate access to the resources necessary to meet its guarantee obligations. I believe that the current problems we face in the GRF and the foreign assistance program as a whole clearly demonstrate the wisdom of the Administration's permanent, indefinite proposal. It is most unfortunate that Congress did not approve this request.

Without a permanent, indefinite appropriation, the only source of new funds for the GRF became current appropriations, i.e., appropriations that would have to come out of the 302 (b) allocations made to appropriations subcommittees. When the Gramm-Rudman-Hollings Deficit Reduction Act passed in 1985, the competition for resources within ever-decreasing 302 (b) allocations forced the Administration to look for GRF alternatives that did not involve the diversion of scarce program funds.

In 1986 it became clear that the GRF would soon be totally depleted as a result of a number of factors, including "brink of Brooke" payment strategies on the part of Egypt and Turkey (Turkey began falling into arrears in mid-1986), the effect of existing Paris Club reschedulings, the likelihood of a comprehensive Egyptian Paris Club rescheduling, and the usual temporary arrears on the part of several countries. At that time, the Treasury Department determined that the FFB need not make immediate demands for payments out of the GRF as long as such payments were made at a later date, with interest. The payment of interest would insure that the FFB received full value for its original loan. Since interest on late payments is already required under FMS loan contracts and since interest is charged on rescheduled loans under Paris Club arrangements, the FFB requirement of recovering full value of its loans can be met.

We all recognize that this arrangement must be viewed as temporary. We are once again reviewing our options for a longer term GRF solution and we intend to make a proposal in the President's FY 1989 budget request. In the meantime, however, we believe that we must take whatever steps are necessary and legally proper to protect our vital security assistance programs. As I have previously testified and as I have stated on several recent occasions, the diversion of scarce FY 1988 resources into the GRF will devastate our security assistance programs and will compromise our ability to maintain an effective foreign policy and protect our national security interest around the world. If the Senate follows the House lead on this question, we will be able to operate effective security assistance programs in less than five or six countries. We will be unable to pursue our vital interests in the Middle East, Africa, Central America, South America, the Caribbean, Asia or the Pacific. We will, Mr. Chairman, be out of business in most parts of the world.

Mr. Chairman, we have neither misled you, nor have we resorted to gimmickry. Rather, we have desperately tried to utilize the options available to us under the law to protect programs that are of vital importance to our national interest. I sincerely hope that you and your subcommittee will be able to assist us in this effort.

RESCHEDULINGS AND GRF

SENATOR INOUYE: Mr. Secretary, when the FMS Guaranty Reserve Fund was established, it was contemplated that the fund would be used to cover contingent losses due to reschedulings. Now the State Department argues that the GRF does not have to be used to offset reschedulings.

This is another instance where the record indicates that your Department is trying to change the rules to cover past mistakes.

To his credit, General Gast, the Director of the Defense Security Assistance Agency told the Committee in 1984, "Our concern, I think, would be not defaults but rescheduling, and that is where the Guaranty Reserve Fund is reduced..." He appears to have been aware of the problem.

In our fiscal year 1984 hearing, Undersecretary Schneider said, "There are sufficient funds in the Guaranty Reserve Fund at present to cover any reschedulings that are likely to occur in the next two to three years."

We now find that there are not sufficient funds in the GRF to cover reschedulings. So, the Department now says use of the GRF is not required.

Which is it Mr. Secretary? Was the Committee misled in the past or has the Department discovered another gimmick?

SECRETARY SHULTZ: When the Guarantee Reserve Fund was originally established it was never contemplated that it would be called upon to cover reschedulings of the magnitude that we have witnessed in recent years. Indeed, the total amount of FMS rescheduled prior to the establishment of the GRF was quite small.

As countries began to face increasingly serious economic difficulties, however, Paris Club activity increased as well. The combination of reschedulings and Egypt's year late repayment schedule significantly reduced GRF resources. Both of these factors gave the Administration concern. Out of this concern grew the Administration's proposal to bring the FMS program on-budget in FY 1985. Congress approved this initiative and gave us the means to provide military assistance to countries in a manner best suited to their unique economic conditions. Those facing severe economic problems could be provided grant MAP while others could be provided Treasury rate loans, concessional loans, or a combination of grants and loans.

Moving FMS on-budget, thus, helped us insure that we were not adding unnecessarily to a country's debt burden while we were helping them (and us) pursue legitimate security considerations. Previously issued high interest loans, however, remained a problem.

When General Gast and Under Secretary Schneider testified before your subcommittee in 1984, both spoke with absolute candor.

We were indeed concerned about reschedulings and their potential effect on the GRF and we did indeed believe that the assets of the GRF were sufficient to cover reschedulings that were likely to occur over the next two to three years. In fact, it was not until the very end of 1986 and the beginning of 1987 that the GRF actually exhausted its liquidity. Had a number of countries not gone into arrears for reasons other than reschedulings, the GRF would still have a positive cash balance.

As I stated in my response to the preceding question on the need to replenish the GRF, the Administration proposed a solution to the GRF problem in the President's FY 1986 budget, a solution that Congress rejected. I would refer to my response to the preceding question for further information on our position vis-a-vis the need or desirability to replenish the GRF out of extremely scarce FY 1988 program funds.

But I must reiterate, Mr. Chairman, that we have neither misled you, nor have we tried to invent "gimmicks" to avoid this problem. We have, instead, been forced by ever declining resource levels to find new ways of meeting the foreign policy and national security objectives that the Administration, and the Congress I would hasten to add, have continually reaffirmed as being in our national interest.

QUESTIONS SUBMITTED BY SENATOR DECONCINI TO SECRETARY SHULTZ

PERSIAN GULF

SENATOR DeCONCINI: Mr. Secretary, I would like to ask you a few questions about the Persian Gulf. The reflagging operation has committed U.S. defense forces to the Gulf, and has met several objections from Congress. In order to protect our forces from Iranian mines, speed boats loaded with explosives, silkworms and an alleged submarine, the Defense Department has been forced to continually evaluate and escalate the U.S. presence. Let me quote Secretary Weinberger:

> "We try to put in the resources that deal with the requirements. That changes...I don't know when it will be enough."

At what point, Mr. Secretary, will you sit down with the President and determine when enough is enough for American safety, protection of oil passage, and reaction to a possible Iranian attack? What is your time frame for involvement in the Gulf? As long as the war between Iran and Iraq goes on?

SECRETARY SHULTZ: The United States has maintained a naval force in the Persian Gulf continuously for forty years. We intend to be there for the foreseeable future. The level of our presence has increased since the beginning of the year. The level of our future presence will depend on the nature of the threat we face from Iran and the degree of cooperation we redceive from allied navies.

SENATOR DeCONCINI: What is this costing the U.S. taxpayer everyday, Mr. Secretary? I have heard figures as high as $3 million per day?

SECRETARY SHULTZ: According to data provided by the Department of Defense, these costs are being borne by the Navy's Operation and Maintenance (O&M) budget. This budget covers operations and expenditures worldwide and is not broken down by region or operation. The incremental cost for the Middle East Force (MEF) for FY-87 will approach $70 million.. That is, MEF operations will cost $70 million over what was budgeted for worldwide O&M for FY-87. If operations in FY-88 continue at the same level as at present, costs will run from $15 to $20 million per month beyond current budget requests.

SENATOR DeCONCINI: The Iranians have code-named their naval maneuvers "Martyrdom: and have announced: "The Saudi killers and their instigator, America, the Great Satan, will not escape Islamic punishment." This might constitute "imminent hostilities to some people, as some reports indicate that shipping in the Gulf's lanes are down to 10 percent of usual traffic. Do you consider this as imminent hostilities?

SECRETARY SHULTZ: No, the maneuvers you refer to have been completed and we do not consider hostilities imminent.

SENATOR DeCONCINI: The supertanker, Gas Prince, which recently passed through the Gulf protected by the United States, was carrying 40,000 tons of liquified gas destined for Japan. I would like to know specifically what we are doing with Japan to get financial support for these expensive logistical operations?

SECRETARY SHULTZ: Japan has told us that it will consider measures to assist us that remain within Japan's constitutional constraints. The Japanese are at present considering what further concrete measures they can take, and we are encouraging them to do so and expect them to reach conclusions which will make a contribution to our effort.

WRIGHT/REAGAN PLAN

SENATOR DeCONCINI: Mr. Secretary, just this week you talked about a bipartisan peace plan for Central America. This new proposal resembles an earlier one offered by President Arias of Costa Rica. First of all, the Administration has failed to actually support his plan. Nevertheless, the Administration has indicated that they are attempting to implement this new plan, including the provisions for an "immediate cease fire", withdrawal of Cuban and Soviet forces, and significant democratization steps. All these have been stumbling blocks, yet they are in the "new" Reagan proposal. What is so "new" about this proposal which will change the Sandinistas minds, expecially with the September 30 deadline?

SECRETARY SHULTZ: The newest thing about the Wright/Reagan proposal is that it unambiguously codifies the goals of the U.S. in Central America which are shared on a bipartisan basis. It calls for an end to ties with the Soviet Union and Cuba and restoration of a regional military balance. We have supported the Guatemala Agreement as a positive step especially in its specification of the need for democracy in all Central American countries. The Guatemala Agreement states that negotiations on security issues will be resumed under Contadora auspices. If these negotiations are to be meaningful they must address the removal of the thousands of Soviet and Cuban military advisors from Nicaragua and the restoration of a regional military balance. We are watching the situation closely and consulting with the Central American democracies.

SENATOR DeCONCINI: Realistically, can these objectives be negotiated and achieved in less than 60 days?

SECRETARY SHULTZ: We are in favor of achieving all of the objectives as set forth in the Wright/Reagan plan and in the Guatemala Agreement. It is important to note, however, that these steps must be both verifiable and irreversible, i.e. they cannot be merely cosmetic.

ECONOMIC SITUATION IN EL SALVADOR

SENATOR DeCONCINI: Mr. Secretary, the situation in El Salvador continues to be a very important one for U.S. foreign policy. President Duarte continues to face a very difficult political and economic situation, not one altogether unfamiliar to the Philippines. Economic growth will be an important variable in democratic stability. Along these lines, what encouragement can we give President Duarte, if any, to open up the states' hold on private sector activities, given that the Reagan Administration promotes these policies with other countries that receive aid programs or have international debts?

SECRETARY SHULTZ: President Duarte, primarily through his senior economic ministers, has consulted with private sector leaders from time to time and has considered their views in formulating his economic plans. However, because of the history of antagonism between the private sector and President Duarte, that the relationship has often been adversarial and confrontational. More often than not, he relies ultimately on his own views or those of his close advisors.

President Duarte, throughout his administration, has moved to reduce government-owned enterprises and to slowly open up some government monopolies to private sector competition. For example, the Minister of Economy on July 22, 1987, announced plans for the government to sell off 54 state-owned enterprises to the private sector. The latest economic plan also provides incentives for non-traditional exports and reduces subsidies to para-statal utilities.

A.I.D. is assisting the private sector through apolitical institutions like the Salvadoran Foundation for Economic and Social Development (FUSADES) to promote better public-private sector relations and to develop mechanisms for promoting investment and export in non-traditional commodities and products.

A.I.D., FUSADES and Salvadoran business associations are actively promoting private investment in non-traditional exports, agricultural diversification and small and micro-enterprise. A.I.D. also supports the Salvadoran Junior Achievement program.

In FY 1987, including supplemental funds, approximately 74 percent of U.S. economic assistance activities budgeted for El Salvador were in support of private sector initiatives.

A.I.D. private sector support includes (1) a strong policy dialogue aimed at creating a policy structure that will stimulate private sector investment and production, (2) balance of payments support of $187 million in 1987 to allow the private sector to obtain critical imports (3) private sector investment and production credit lines from local currency generations, (4) a $75 million TCIP program, and (5) training and technical assistance for small and micro-enterprise.

QUESTIONS SUBMITTED BY SENATOR KASTEN TO SECRETARY SHULTZ

GREECE AND TURKEY

SENATOR KASTEN: Mr. Secretary, I am very concerned over the current situation in the Eastern Mediterranean, on NATO's southern flank, where we find two of our allies there — Turkey and Greece -- escalating their criticism not only of each other, but of the United States as well. Greece, and her American supporters, are urging that we cut off assistance to Turkey, and, as you know, there are concerns with respect to Greece that we've had and that your ambassador expressed to that government which resulted in a recent very public flap in that country. Do you have any thoughts about how we can see our way through this quagmire with respect to Greece and Turkey?

SECRETARY SHULTZ: Greece and Turkey have long-standing and deeply rooted differences with one another. The United States is a genuine friend of both countries, and we have good relations with both Greece and Turkey. These relations are important not only bilaterally, but also serve the common interests of Greece and Turkey. We have welcomed the continuing high-level confidential exchanges between Prime Ministers Ozal and Papandreou begun after the March crisis between the two countries. We continue to urge both countries to pursue and enliven their exchanges to ease tensions. Our resolve to encourage progress in relations between Turkey and Greece is clear.

The United States has always sought an open dialogue with Greece and Turkey on issues of mutual concern, including terrorism. As for press attention to our discussion with Greece on the sensitive issue of terrorism, there were misperceptions of our intent and unfortunate press leaks, but the problems have been resolved and we have good cooperative work with Greece back on track.

INTER-AMERICAN DEVELOPMENT BANK

SENATOR KASTEN: Mr. Secretary, as I think you probably know, this Subcommittee has strongly supported the Secretary of the Treasury in his efforts to reform the Inter-American Development Bank. The negotiations on those reforms and the replenishment are basically complete except for the voting mechanism, which is, of course, the guts of the Administration's Reform Package. Many of us up here want to see the Inter-American Development Bank play a meaningful role in helping find solutions to the devastating debt problems in Latin America, but until these reforms are all in place, I doubt very much that a replenishment will be concluded. What are you doing in your job to try to help the Secretary of the Treasury in his efforts on this matter?

SECRETARY SHULTZ: The State Department is actively involved in the efforts of the Secretary of the Treasury to make the Inter-American Development Bank a better tool for development. I share Secretary Baker's belief that the borrowers themselves have to decide if retaining complete control of the Bank is worth not having a replenishment of resources at this time. My staff and I will continue to convey, in our dealings with key Latin economic officials, our position that we need a greater say in the Bank's disposition of its resources if we are to contribute large amounts to the Bank's resources in the future. The State Department has been an active participant in all the replenishment negotiating sessions including the key meetings at the Miami Annual Meeting of the IDB where Under Secretary of State for Economic Affairs Allen Wallis was the senior State Department representative.

TERRORIST ORGANIZATIONS OPERATING ON CYPRUS

SENATOR KASTEN: Mr. Secretary, are you aware of reports that the Government of Cyprus has allowed terrorist organizations to utilize Cypriot territory for either headquarters or training areas -- including Abu Nidal's group?

SECRETARY SHULTZ: We have heard reports alleging that the Government of Cyprus has actively or passively allowed terrorists to operate on its territory. The Cypriot Government has vehemently denied these charges. We do not have any information which suggests that the allegations are true and have no reason to doubt the Government of Cyprus' denials.

PAKISTAN

SENATOR KASTEN: Mr. Secretary, what is the administration's view of the involvement or non-involvement [of the government of Pakistan??] in the recent case where a Pakistani was arrested for trying to ship nuclear-related items to Pakistan?

SECRETARY SHULTZ: On July 10, Federal authorities in Philadelphia announced the arrest of Arshad Pervez, a Canadian citizen, on charges arising from an effort to export to Pakistan commodities with potential nuclear applications. Both Pervez and Inam ul-Haq, a Pakistani businessman, were indicted on July 28 in connection with the case. In accordance with our responsibilities under the Solarz amendment to the Foreign Assistance Act, we are continuing to review this incident. The government of Pakistan denies responsibility for the alleged illegal activities of Pervez and Inam, and has promised its full cooperation in investigating this matter. The case is currently before the courts, and we have not made any determination regarding the degree, if any, of Pakistani government involvement.

QUESTIONS SUBMITTED BY SENATOR D'AMATO TO SECRETARY SHULTZ

UNITED NATIONS STAFFING

SENATOR D'AMATO: How do you account for the loss of so many American and Western positions in the United Nations Secretariat while most Soviet positions have been maintained?

SECRETARY SHULTZ: In the past several years, most Member States, including the United States and the Soviet Union (including Byelorussia and the Ukraine) have experienced a reduction in the number of their nationals on the staff of the UN Secretariat. Following is a chart showing the changes in the number of positions, subject to geographic distribution, of some Member States.

	1985	1986	1987	Reductions 1985 to 1987 Total/Percent
Total UN	3,102	2,740	2,598	504 / 16.2 %
United States	472	432	418	54 / 11.4 %
Soviet Union	220	197	192	28 / 12.7 %
France	129	119	114	15 / 11.6 %
Fed Rep of Germany	126	116	111	15 / 11.9 %
Italy	63	56	53	10 / 15.9 %
Japan	121	101	92	29 / 24.0 %
United Kingdom	108	100	91	17 / 15.7 %

In proportion to the total number of UN positions cut over the past two years, and in comparison with the Soviet Union and other major Western donors, the United States has not lost a disproportionate number of its UN positions.

SENATOR D'AMATO: (The problem is that the US has not paid enough attention to the slots allotted this country. As a result, more Eastern Bloc nations, who pay close attention, are filling their quotas and keeping their people in high positions.)

What are we doing to monitor the slots allotted each country more closely to assure that we are filling our positions and not having Americans replaced with other nationalities?

SECRETARY SHULTZ: According to UN General Assembly resolution 35/210 (Personnel Questions) which we supported, "...no post should be considered the exclusive preserve of any Member State, or group of States..." Therefore, we do not have specific posts that we can consider "our positions".

Both the U.S. Mission to the United Nations in New York and the Office of UN System Recruitment in the Bureau for International Organization Affairs in the Department review UN vacancy announcements regularly and carefully monitor personnel changes in the Secretariat. Both the Department and the Mission are very much involved, and make every effort to ensure that the U.S. remains equitably represented in the United Nations, the specialized agencies, and other international organizations.

SENATOR D'AMATO: (Most of the 265 Soviet Nationals in the UN Secretariat in NY are "seconded" to the UN -- 99% are employed on fixed-term contracts. This keeps them under control of the Soviets)

Have we protested the Soviet policy of assigning the majority of their nationals temporarily into the UN Secretariat, thus keeping them under direct Soviet control when this is in violation of the UN Charter?

SECRETARY SHULTZ: Yes, we have protested at the highest levels. In addition, we currently are consulting widely with other member states looking toward adoption by the General Assembly of a resolution that would express disapproval of this policy and help correct the situation.

SENATOR D'AMATO: Recently we sent a letter on behalf of a New York State resident working at the UN who was not going to have his contract renewed as a punishment for congressionally mandated UN budget reforms. I understand that the State Department was also involved and I commend you. What is being done to assure us that in the future U.S. citizens in the UN Civil Service will not be unfairly dismissed, forced to resign, or not have their employment contracts renewed as a result of congressionally mandated cuts in the UN budget?

SECRETARY SHULTZ: Both the U.S. Mission to the United Nations in New York and the Office of UN System Recruitment in the Bureau for International Organization Affairs in the Department closely monitor personnel changes in the UN, especially as they pertain to U.S. citizens. In the past two years, the number of Americans working in the Secretariat (in posts subject to geographic distribution) has decreased by approximately 11.4 percent as compared to the 16.2 percent overall decrease in such posts. We have no evidence to show that Americans are being singled out for reduction in response to Congressional requirements, nor that there has been a disproportionate number of American citizens whose positions have been cut.

We take the issue of discrimination against Americans in the United Nations very seriously and would view any politically motivated, punitive UN actions against any American employee, for whatever reason, as unacceptable. You may be assured that, in verifiable cases of Americans being unfairly dismissed, forced to resign, or having their contracts discontinued as a result of Congressional policies, we would take appropriate action.

ARMS SALES TO SAUDI ARABIA

SENATOR D'AMATO: Is the Administration planning to notify Congress that it plans another arms sale to Saudi Arabia? What do you expect to be included in the sale? Are any additional sales of F-15s to Saudi Arabia contemplated?

SECRETARY SHULTZ: We are still in the process of consulting with Members of Congress on possible arms sales to Saudi Arabia. The process began informally almost a year ago for most of the items under review today. Only when we have completed our consultations will we make a decision on the particular items to notify to Congress.

MEXICO, PANAMA AND THE BAHAMAS

SENATOR D'AMATO: At a briefing Wednesday on the LEDET [Law

Enforcement Detachment] drug interdiction program putting 300 Coast Guard personnel on Navy ships, Captain John Trainor, Chief, Operational Law Enforcement Division of the Coast Guard, stated that when the Coast Guard stops Mexican or Bahamian smugglers in international waters, Mexico and the Bahamas frequently ask that the drugs and smugglers be returned to them.

Do we make any effort to find out what happens to the drugs and the smugglers? Please provide the subcommittee and me personally with a report on how many such suspects and how much contraband has been returned to Mexico, Panama, and the Bahamas during fiscal years 1986 and 1987, and how many of these smugglers have been prosecuted by those 3 countries.

SECRETARY SHULTZ: (Mexico) In fiscal year 1986, 54,880 pounds of marijuana and ten suspects (nine Mexicans and one Dominican) were transferred to the custody of the Government of Mexico by the U.S. Coast Guard at the request of Mexico. Thus far, in fiscal year 1987, approximately 25,080 pounds of marijuana and six smugglers (five Mexicans and one Cuban resident alien) have been returned. Upon receiving the drugs, suspects and vessels, the Mexican Navy impounds the vessels, destroys the drugs and turns the suspects over to the Mexican Attorney General's Office. We are requesting that the Embassy ascertain from the Mexican Government the fate of the suspects.

(Panama) During fiscal years 1986 and 1987, the Government of Panama requested the return of only one vessel together with the eleven Colombian crewmen and a captain. In that case, the vessel's forward hold had been washed down with fuel oil prior to the U.S. Coast Guard boarding and only marijuana residue was found. The Colombians are in jail awaiting trial.

(The Bahamas) We are making an effort to find out what happens to the drugs and smugglers turned over to the Bahamian Government for prosecution as a result of U.S. Coast Guard maritime interdictions. On July 15, 1987, our embassy in Nassau sent a diplomatic note to the Government of the Commonwealth of The Bahamas asking for a report on the judicial status of such drug smugglers and contraband. To date, the Embassy has not received a response.

In fiscal year 1986, the U.S. Coast Guard reported no instances in which narcotics trafficking suspects and/or contraband were returned to the Government of The Bahamas. Since October 1, 1986, the Coast Guard reported three cases when suspects and/or contraband were seized by the Coast Guard and subsequently handed over to Bahamian authorities for prosecution.

The first seizure occurred off Haiti and involved 9,900 pounds of marijuana. The Bahamian flag vessel sank. All non-Bahamian members of the crew and the evidence package were turned over to the Southeast Florida Task Force. One Bahamian crew member was returned to Bahamian authorities.

The second seizure took place near Farmers Cay, Bahamas and involved 286 pounds of cocaine. The vessel, contraband and crew of two people were handed over to the Bahamian Government.

The third case occurred in Bahamian territorial waters and involved two vessels. One vessel carried 179,000 pounds of marijuana and six kilograms of cocaine; the other carried $17,000 in cash and marijuana residue. The vessels, contraband and 17 crew members were turned over to Bahamian authorities.

Through Operation Bahamas, Turks and Caicos (OPBAT) and Operation Bandit, U.S. law enforcement officials facilitate the apprehension of drug smugglers and contraband in The Bahamas. However, arrests and seizures resulting from these operations are performed by Bahamian law enforcement officials.

OBTAINING FULL COOPERATION

SENATOR D'AMATO: We continually debate the best way to obtain full cooperation from drug-producing countries, drug-transit countries, and countries that are major ceners of drug money laundering.

What is your strategy for obtaining full cooperation from these countries?

SECRETARY SHULTZ: Our strategy takes into full account two critical variables: (1) worldwide production of illicit narcotics is sustained at very high levels, significantly beyond demand in the United States, by burgeoning demand for illicit drugs among other peoples, especially in the Third World, and (2) to reduce availability, there must be control programs operating simultaneously in all key growing areas. The strategy attempts to enlist the governments of source nations in eradication and other enforcement programs on the basis of their self-interest in countering the adverse social, political and economic effects of high-volume narcotics trafficking. Recently, that national self-interest has included their inherent need to counter the epidemics of indigenous drug use among source and transit nations. Thus, we offer both commodity and technical assistance to enforcement programs, and, where drug cultivation has been traditional, we offer selected economic and development assistance to facilitate the transition to a non-narcotic-based economy, and, we offer assistance in reducing domestic demand for drugs.

Diplomatically, we advise these governments that such cooperation and inducements are linked, that, without such cooperation, not only narcotics-related but all other U.S. assistance can be terminated.

MEXICO

SENATOR D'AMATO: What is the status of the investigation of the 1985 murder of DEA agent Enrique Camarena and the 1986 torture and beating of DEA agent Victor Cortez?

SECRETARY SHULTZ: In the case of the February 1985 kidnapping and subsequent murder of DEA Special Agent Enrigue Camarena Salazar, two of the prime suspects in the murder -- Rafael Caro Quintero and Ernesto Fonseca Carrillo -- are in custody in Mexico City where their trial is taking place. This is one of several Mexican judicial proceedings which have been brought against them. These two men and more than 60 suspects in this same case are presently involved in trials in six separate jurisdictions : the Federal District, and the states of Jalisco, Sinaloa, Durango, Sonora, and Chihuahua -- for charges ranging from possession, trafficking and manufacture of narcotics to kidnapping and murder. The size and complexity of the investigations and the structure of the Mexican judicial system made the speedy resolution of these cases improbable. All of these suspects, however, remain incarcerated as their trials progress. Javier Barba Hernandez, a suspect in the case who may have been one of Camarena's interrogators, was killed in a November 1986 shootout with Mexican Federal Police.

With regard to the August 1986 detention and torture of Special Agent Victor Cortez by Jalisco State Police, initially the eleven judicial police officers involved were relieved of their police functions. Following the processing of a deposition done by Cortez and presented by the Government of the United States in June 1987 to the Mexican Government at its request, a Mexican judge ordered the arrest of seven of these eleven ex-judicial police officers. Five of the seven are now in police custody, but the judge found there was insufficient evidence to order the arrest of the remaining four suspects. The Federal Attorney General's Office in Jalisco has given assurances that these men would never be employed again as police officers.

ALLEGED BRIBE OF MEXICAN OFFICIAL

SENATOR D'AMATO: According to an article in the July 1987 International Drug Report, a publication of the International Narcotics Enforcement Officers Association, Mexico's Attorney General is looking into U.S. allegations that a Mexican Supreme Court Justice accepted a bribe from an alleged Mexican drug trafficker charged in the Camarena murder.

What answer have we received from the Mexicans on this allegation? Is it satisfactory?

SECRETARY SHULTZ: The Department is not familiar with the article that you have mentioned. The U.S. did provide to the Office of the Mexican Attorney General information contained in an affidavit made on May 26, 1987 in the Federal Court in San Francisco by a DEA Special Agent. This affidavit had been filed in order to establish the probable cause necessary to obtain a seizure warrant to authorize US agents to seize certain bank accounts, bank records, a bank safe deposit box and certain real property maintained by Mexican Attorney Francisco Alatorre and members of his family. The affidavit states that a confidential informant told a DEA Special Agent that Mexican Supreme Court Justice Luis Fernandez Doblado had received monetary payoffs to clear two alleged Mexican drug traffickers charged in connection with the death of DEA Special Agent Enrique Camarena in Mexico.

Fernandez Doblado is not charged with having violated U.S. law. Because any investigation which may be made would be an internal Mexican matter, the Department cannot make a comment.

SENATOR D'AMATO: Page 152 of the International narcotics Control Strategy Report states that Mexican conviction totals or percentages are not available.

How can you say that Mexico is providing "full cooperation" when you do not have this most basic information?

SECRETARY SHULTZ: As Department officials testified last spring during hearings on the International Narcotics Control Strategy Report, the certification of full cooperation in anti-narcotics efforts for any country was based on comparative capabilities, resources, and opportunities to achieve narcotics performance objectives. An assessment of a country's performance must be based upon a concept of variability and must consider the social, political, economic, geographic and climatic factors that affect illicit drug production. These factors may favor greater cooperation in some areas than in others at any given time. The certification made last March was based on many factors, some of which included an increase in 1986 opium poppy and marijuana eradication totals over 1985 and the negotiation ad referendum of a

Mutual Legal Assistance Treaty (MLAT).

SENATOR D'AMATO: Can you give us an update on negotiations with Mexico over the issue of so-called "hot pursuit" whereby we could chase drug smugglers over the Mexican border?

SECRETARY SHULTZ: As indicated in the report submitted to the Congress last April under Section 2013, P.L. 99-570 of the Anti-Drug Abuse Act of 1986, the issue of "hot pursuit" has been considered during the meetings between the United States and Mexican Attorneys General. The Government of Mexico has declined to grant open-ended or unrestricted rights to U.S. enforcement agencies to cross the Mexican border in pursuit of suspect aircraft. Instead our governments continue to discuss a variety of alternatives for sharing information on border operations, and joint tracking of suspect aircraft.

MLAT WITH MEXICO

SENATOR D'AMATO: What is the status of our effort to conclude a Mutual Legal Assistance Treaty with Mexico?

SECRETARY SHULTZ: In September 1986, United States and Mexican negotiating teams agreed ad referendum upon a draft Mutual Legal Assistance Treaty (MLAT). The Mexicans have the draft treaty under review and they have raised certain issues which will be subject to further discussion before a final MLAT text will be ready for signing.

BAHAMAS EXTRADITION

SENATOR D'AMATO: In 1986, the President of the Bahamas testified before Rep. Glen English that he will extradite to the United States individuals arrested as a result of our interdiction efforts in the Caribbean. What have we done to follow up on this promise?

SECRETARY SHULTZ: We would appreciate the opportunity to review in detail the 1986 statement on extradition made by the Prime Minister of The Bahamas in testimony before Representative Glen English. As a general practice, if an individual was arrested in Bahamian territory for suspected violation of Bahamian drug law, the U.S. normally would not request extradition of that person to the United States for prosecution on US drug charges.

Normally, arrests in Bahamian territory and Bahamian territorial waters are made by Bahamian law enforcement personnel who are transported to the site of the arrest by U.S. Coast Guard vessels or by DEA, Customs, Army or Air Force helocopters. When the U.S. Coast Guard requests authorization to take law enforcement action against a Bahamian flag vessel on the high seas, the Government of The Bahamas is given the option of permitting the U.S. to prosecute under U.S. law or of requiring that the offender be returned to The Bahamas for prosecution under Bahamian law.

Unless there was an outstanding indictment in the United States for an individual being prosecuted in the Bahmamas, we would have no reason to request extradition. In any event, we probably would not request extradition until The Bahamas completed its legal process against the accused. The Department of State has not requested the extradition of any individuals sent to the Bahamas for prosecution as a result of our interdiction efforts in the Caribbean. Of course, we continue to press the request for extradition of Nigel Bowe and other narcotraffickers through the

Bahamian judicial system.

BAHAMIAN DRUG ARRESTS AND CONVICTIONS

SENATOR D'AMATO: How many arrests and convictions of drug smugglers and traffickers were made and obtained by the Bahamian criminal justice system in FY 1985 and 1986? How many have there been so far this year?

SECRETARY SHULTZ: In FY 1985, 63 persons were arrested by Bahamian law enforcement officers who were participating in DEA-sponsored anti-narcotics activities. In FY 1986, 47 persons were arrested and, in FY 1987 (to date) 129 persons were arrested. In addition, 103 persons were arrested on various drug charges at the U.S. pre-clearance facility at Nassau's international airport between July 25, 1984 and July 21, 1987.

Regrettably, we do not yet have figures on the number of individuals convicted for drug trafficking in The Bahamas. However, our embassy in Nassau has been trying to obtain this information. The embassy sent two diplomatic notes to the Bahamian Government in July 1987 requesting the information and U.S. mission elements are working with their local Bahamian counterparts in an effort to learn what they can about the status of narcotics cases. The Government of The Bahamas has not yet responded to our diplomatic notes.

PANAMA

SENATOR D'AMATO: Page 351 of the International Narcotics Control Strategy states: "Panama, which is one of the largest offshore banking centers in the world, is a major narcodollar laundering center."

Page 352 states: "Under U.S. pressure to sign an MLAT and otherwise cooperate more fully with U.S. enforcement authorities on narcotics issues, the Government of Panama promulgated a new anti-drug law in December 1986." U.S. officials are prepared to test the efficacy of the law and Panamanian enforcement of it.

Does passage of the new law satisfy in your mind the requirement of full cooperation? Are we still insisting that Panama sign the MLAT to satisfy the "full cooperation" requirement of the Foreign Assistance Act?

SECRETARY SHULTZ: As explained in an earlier answer to a question on Mexico, the certification of full cooperation for any country has to take into consideration many different factors that may affect anti-narcotics efforts and be based on comparative capabilities, resources, and opportunities to achieve narcotics performance objectives. The factors taken into consideration may favor greater cooperation in some areas than in others at any given time.

In fact, however, following the promulgation of the new Panamanian drug law, Panama did cooperate in Operation Pisces, a three-year DEA investigation into money-laundering in New York, Miami, Los Angeles and Panama, which dealt a blow to money-laundering. DEA provided documentary evidence to the GOP as required under its new statute and the Panamanian Government in May served court orders on 18 Panamanian banks, freezing 54 accounts. Follow-up investigations by the Panamanian Defense Forces (PDF) identified and froze an additional 85 accounts containing funds suspected of originating in narcotics trafficking.

The Government of Panama also assisted the U.S. Government in Operation Expressway, a three-year FBI investigation on money-laundering in New York, Los Angeles, Detroit, San Francisco and Newark, by serving orders on five banks and freezing 29 bank accounts.

PANAMANIAN ARRESTS AND CONVICTIONS

SENATOR D'AMATO: How many arrests and convictions of drug smugglers and traffickers were there in Panama in fiscal year 1986, 1987 and so far this year? How many extradition requests made by the United States have been granted since fiscal year 1986?

SECRETARY SHULTZ: Figures available for arrests of drug traffickers and smugglers by the Government of Panama are by calendar rather than fiscal year. In 1985, 217 nationals and 18 foreigners were arrested; in 1986, 105 nationals and 86 foreigners were arrested. Up to August 30, 1987, arrests total 676 individuals. At the present time, we do not have the numbers of convictions for those years but the Embassy is being requested to seek that information.

No extradition requests have been directed to the Government of Panama since fiscal year 1986. The Panamanians have deported or expelled, on charges of false documentation or undesirable alien status, numerous non-Panamanian fugitives that we have requested. For example, in fiscal year 1987, the Government of Panama deported Jack Carlton Reed, an associate of ex-Colombian narcotics trafficker Carlos Lehder, who is presently on trial in the U.S.

AGREEMENT WITH BOLIVIA

SENATOR D'AMATO: What is the status of our efforts to conclude eradication and interdiction agreements, also known as annexes, with Bolivia?

SECRETARY SHULTZ: These annexes were signed on August 13, 1987, and are now in effect.

SENATOR D'AMATO: Will the demonstrations by the coca growers in the Chapare succeed in preventing Americans from participating in coca eradication and end progress toward halting coca growing in that region?

SECRETARY SHULTZ: The demonstrations in the Chapare caused the temporary departure of American personnel, who have now returned and resumed their normal activities involving training of the UMOPAR troops. DEA also has a presence in the Chapare. We do not envision U.S. personnel being directly involved in eradication operations, however. Our purpose is to provide the Bolivian Government the financial assistance, commodities and training necessary to bring about eradication. The intent is to make interdiction effective enough so that opposition to eradication will decline.

BOLIVIAN ARRESTS AND CONVICTIONS

SENATOR D'AMATO: How many arrests and convictions have there been in Bolivia in FY 1986, 1987, and so far this year? How many extradition requests have we made and how many have been granted?

SECRETARY SHULTZ: Arrest and conviction data have been requested from La Paz but have not been reported in time for this submission. The U.S. has made no extradition requests to Bolivia as yet, but the Bolivian Government has expressed its willingness to consider such a request under the extradition treaty of 1900, which together with the U.N. Single Convention would permit extradition to the U.S. of Bolivian nationals.

BOLIVIAN DRUG INTERDICTION

SENATOR D'AMATO: How cooperative has the Bolivian Government been in the area of drug interdiction? How many cocaine laboratories have been destroyed this year? How does this compare to the goal the Department set at the beginning of this year?

SECRETARY SHULTZ: The Bolivian Government has provided excellent cooperation in interdiction, as well as considerable attention from the highest levels of government. there have been some difficulties in the rapid expansion of our mutual interdiction efforts, but these have been principally of a logistical nature. Since the arrival of the six UH-1H helicopters and the training of Bolivian Air Force pilots and maintenance personnel, the UMOPAR troops have destroyed eight laboratories capable of producing an estimated 4500 kilos of cocaine HCL per week and 500 kilos of base per week. Although there were unexpected delays in reaching good utilization of the Hueys, they are now operating effectively.

TRAINING FOR BOLIVIA

SENATOR D'AMATO: Does the FY 1988 budget request guarantee that we will be able to provide the Bolivians with the training and other resources they need to conduct an effective interdiction and eradication program?

SECRETARY SHULTZ: No. The FY 88 budget is at this time $7.3 million, which will be inadequate to maintain our current levels of training, helicopter support, troop support and eradication funding. It will have to be augmented by at least $5-6 million from supplemental FY88 funds INM hopes to get from the Congress.

GOLDEN TRIANGLE

SENATOR D'AMATO: On page 277 of the International Narcotics Control Strategy Report, it is estimated that there was an opium yield of 700 to 1,100 metric tons in Burma alone. What is the status of drug eradication and interdiction in Burma? In Laos? In Thailand?

SECRETARY SHULTZ: (Burma) Drug eradication efforts in Burma have improved. Reports on eradication last year showed a sixteen percent increase over the 1985/86 season. However, this figure was offset by improved weather conditions, increased planting (resulting from pressure applied by opium traffickers), and the early conclusion of the eradication campaign due to a major Burma Communist Party offensive. Despite these setbacks, the campaign resulted in over 40,000 acres of opium poppy eradicated, mainly due to an increase in arial eradication. For this year's growing season, a goal of 60,000 acres is not unreasonable. An encouraging development has been the recent SRUB aggreement to begin a comprehensive aerial survey of cultivation this year. This will provide more accurate estimates of poppy cultivation as well as produce an accurate baseline for progress in eradication efforts.

Drug interdiction efforts, although made difficult by factors such as lack of host government control of trafficking routes and production areas, difficult terrain conditions and often incomplete intelligence, have shown a modest improvement. Both Burma Army and Police forces have accounted for seizures of opium, heroin No. 4 and also have had some success in the interdiction of chemical shipments. The Burma Army has launched campaigns directed against major caravans and has seized or forced the relocation of several refineries in the Shan State.

(Laos) There is no eradication or active interdicition campaign in Laos. Information available shows an increase in narcotics production over the last two years. There will be no improvement in the Lao narcotics situation without active interest on the part of the host government. Signs of encouragement have been an increased willingness on the part of the Lao to engage in discussions on the narcotics issue with multilateral organizations and with the U.S. Examples of this are the visit to Laos in April of the Secretary of the International Narcotics Control Board, Lao attendance at the Vienna conference in June and some indications that a UNFDAC proposal or a U.S./INM training proposal may be accepted.

(Thailand) Thai crop control programs have shown continued success in both the eradication of opium poppy and also in combatting the continued expansion in marijuana production. Last year's growing season was marked by an estimated decrease in opium production of more than six percent. Although this is not a large decrease, the total production levels are down considerably over previous years. Further reductions, however, may prove to be more diffucult to achieve.

Thai authorities expanded the marijuana eradication effort last year and the program now operates year-round. Available information shows that marijuana cultivation has continued to increase in spite of the eradication effort. This situation is fostered by traffickers through tactics such as shifting production sites and also by moving some production into Laos.

Thailand continues to be the major route for smuggled narcotics in the Southeast Asian region. Enforcement and interdiction efforts, with support from DEA and INM, have led to increases in arrests and seizures. Interdiction efforts continue to be hampered by low level corruption.

Improved training of police, army and customs officals as well as the provision of continued assistance has improved the overall effectiveness of Thai agencies involved in drug enforcement. An example of this has been the training by U.S. Special Forces for Thai Border Police targeted at refinery operations in Thailand. At least nineteen refineries have been destroyed since this operation was undertaken.

CONVICTIONS AND SENTENCING

SENATOR D'AMATO: Can you tell us how many major drug traffickers were convicted and sentenced in these countries last year?

SECRETARY SHULTZ: (Burma) In a case which took place in May this year, it has been reported that Burmese authorities used the National Security Law to prosecute and jail two individuals who were known to be major traffickers in heroin and acetic anhydride. As the U.S. does not maintain a law enforcement presence in Burma, it is not always possible to develop accurate statistics on narcotics related arrests and convictions. Burmese authorities do make many arrests; however most major trafficking organizations are located or headquarted in areas where government authority is weak or non-existent.

(Laos) We have no information that would lead us to believe that any major narcotics traffickers were convicted and sentenced in Laos last year.

(Thailand) Information has been requested on arrests and convictions but was not available at time of submission.

BOLIVIA: FY 1988 REQUEST - $7,300,000

SENATOR D'AMATO: The process of certifying nations as cooperative druf-producing and drug-transit countries last year was, according to information provided this subcommittee on March 31, 1987 by J. Edward fox, a seemingly rushed and confused one. We must improve this certification process so that the problems of last year's decision-making process are not repeated.

The International Narcotics Control Strategy Report is not as clear as it should be. A greater effort must be made to standardize the format and statistics provided so that congress can make accurate assessments of our accomplishments and shortcomings.

One area of particular concern is the reporting of eradication statistics. Eradication in one area is often undercut by planting in other areas. We need to see net reductions of drug crops.

The United States should make a more serious effort to obtain arrest and conviction records from those countries listed in the INCSR. We must also continue to through on treaty negotiations and extradition requests. It is not enough to focus on eradication.

On page 10 of the 1988 budget justification document, we are told that Bolivia is expected to pass a more comprehensive law for the control of coca cultivation. When do you expect this law to be enacted?

SECRETARY SHULTZ: The Bolivians have begun an eradication program without a new law, which would be primarily needed to support the involuntary eradication program anticipated one year from now. A definite timetable has not been enacted, but passage of the law is one option of a condition the U.S. has established for the release of the third tranche of funds under the agreement signed last February. The alternative is to eradicate 1,200 hectares. The INM funds support the eradication and enforcement programs, which are not dependent upon passage of the proposed law.

PRICE OF COCA LEAF

SENATOR D'AMATO: On page 11 of the same document, the Department states that Operation "Blast Furnace," the U.S.-Bolivian raid on cocaine laboratories, was temporarily successful in reducing narco-trafficking activity and temporarily reducing the price of coca leaf.

What is the price of coca leaf now? Is illicit cultivation profitable again?

SECRETARY SHULTZ: The current price ranges from $80 to $100 per hundredweight, compared to a high of $140-150 before Blast Furnace, and a low of $20-40 during the Operation.

BUDGET REQUEST FOR BOLIVIA

SENATOR D'AMATO: On page 13 of the budget justification, you are requesting a $4,900,000 decrease in the international narcotics control budget for Bolivia, from $12,200,000 in 1987 to $7,300,000 in 1988.

Given the fact that Bolivia is the leading source country for illicit coca, how do you justify these decreases?

SECRETARY SHULTZ: The change in numbers reflects the fact that Congress no longer permits INM to grant aircraft, but requires INM to retain title. Thus, we will now provide aircraft support to Bolivian operations through INM's regional air wing.

BRAZIL: FY 1988 Request - $2,500,000

SENATOR D'AMATO: On page 15 of the budget justification document, you state that past coordinated efforts have proven very difficult because of terrain conditions. The majority of FY 1988 funding for coca eradication will go to the coordination between the Brazilian Air Force, Navy and Federal Police Operations. Have any guidelines or procedures for this coordinated effort been developed?

SECRETARY SHULTZ: Historically, there has been a record of joint coordination between the Brazilian security forces in moving against coca cultivation and processing sites for first stage conversion of coca leaf. INM funds provide support for the Department of Federal Police (DFP). Based on the previous joint operations successfully carried out against these targets, we may expect that similar procedures are established to facilitate operations in the field between the DPF, Air Force and Navy.

CHEMICAL DIVERSION

SENATOR D'AMATO: Brazil is a major source country for the ether and acetone used in cocaine processing.

What is Brazil doing to combat the diversion of these chemicals for this purpose?

SECRETARY SHULTZ: The DFP has responded energetically to the DEA initiative known as CHEMCON, which is designed to interdict the flow of precursor chemicals such as ether, acetone and methyl ethyl ketone. We have detected a substantial increase in the price of precursor chemicals and other foreign sources are now providing these chemicals to the South American region, including legitimate U.S. sources.

COLOMBIA: FY 1988 REQUEST - $13,900,000

SENATOR D'AMATO: On page 18, you state that in 1985 the Colombian Police were authorized to expand the program of aerial testing of herbicides against coca crops. Yet, you also state that, while there has not been much success in aerial spraying programs, the Colombians hope to start a full-scale program in 1987.

What is the status of the Colombian aerial spraying program?

SECRETARY SHULTZ: The original Colombian National Council of Dangerous Drugs authorization for aerial testing of coca herbicides expired November 2, 1986. Although the results obtained during that period of time were encouraging, the U.S. manufacturer of the coca herbicide used during the testing was unable to make further quantities available. Current discussions with the U.S. herbicide manufacturer indicate that a limited supply of herbicide may be made available in the near future for more testing. In anticipation of its availability, the Colombian National Police has proceeded with a request for renewal of the coca herbicide testing authorization from the National Council for Dangerous Drugs.

The aerial spray eradication program for marijuana has exceeded all expectations in terms of hectarage covered. In July 1987, the police sprayed 2,096 hectares, marking a substantial increase over the the 1,097 hectares covered in July of last year. Since 1984, the Colombian National Police have sprayed over 27,947 hectares of marijuana. The assignment of two additional spray aircraft to Colombia in early 1987 has made the present rate of aerial marijuana eradication possible.

ECUADOR: FY 1988 REQUEST - $1,800,000

SENATOR D'AMATO: On page 21, you state that international narcotics control assistance was resumed in FY 1984 on a limited basis after a suspension period of a year due to unsatisfactory performance. However, you state that it is the principal aim of the Government of Ecuador to eliminate a majority of coca cultivation by the end of this decade.

Given that the end of the decade is three years away, is this a real possibility?

SECRETARY SHULTZ: There are an estimated 1,700 hectares of coca being cultivated in Ecuador. Of that amount, 185 hectares were manually eradicated in 1986. Although the Government of Ecuador anticipated being able to eradicate 300 more hectares in 1987, the severe earthquake in March necessitated the channeling of available helicopter airlift resources toward disaster relief (as well as to the repair of their main oil pipeline). In September, the Ecuadorean Army released two helicopters from disaster relief and pipeline construction duties in order to assist the National Police in their coca eradication efforts. Although this will mark the first series of coca eradication operations for 1987, the Government of Ecuador has agreed that the National Police will carry out backpack coca herbicide testing with licensed herbicides in October. If successful, we anticipate that the implementation of regular backpack coca spraying operations will make up for much of the time lost in 1987. Eradication of much of the estimated 1,700 hectares of coca by the end of the decade is thus a possibility.

MEXICO: FY 1988 REQUEST - $16,900,000

SENATOR D'AMATO: On page 25 of the budget justification, you state that heroin production from 1975 to 1986 experienced a significant reduction in terms of metric ton cultivation. You further state that due to inflation and overall poor economic conditions, illicit production of Mexican heroin has significantly increased. I do not see that in the numbers you have provided.

How much heroin was produced in Mexico in 1975? How much was produced in 1985?

SECRETARY SHULTZ: In 1975, an estimated 6.5 metric tons of heroin were produced in Mexico. Estimates of 1985 production of heroin were 2.8 metric tons.

The increase in heroin production noted in the budget submission refers to an increase in production occurring in the mid-1980's over the low levels achieved in the late 1970's and early 1980's which were a result of the 1975 decision to attack illicit cultivation using aerially-applied herbicides. Thus, by the early 1980's Mexican heroin production reached a low of 1.0 to 1.2 metric tons. The rise to 2.8 metric tons in 1985 is due to a variety of factors including: Mexico's economic crisis with its concomitant falling living standards, declining government revenues, growing rural poverty and scarcity of domestic credit; exceptionally favorable climatic conditions; and more sophisticated trafficker cultivation techniques, utilizing irrigation as well as smaller and more inaccessible fields.

SUMMIT CONFERENCES WITH MEXICO

SENATOR D'AMATO: On pages 25 and 26 you state that a series of summit conferences produced mutually-approved action plans including an eradication strategy and independent monitoring program to verify eradication.

I am concerned with the specifics of the monitoring program. What is the plan for monitoring and verifying eradication?

SECRETARY SHULTZ: As indicated in the budget presentation document, the mutually agreed upon eradication strategy involved the spraying with an aerially applied herbicide of all immature opium and marijuana fields immediately after detection rather than later in the growth cycle.

The aerial eradication statistics provided to the U.S. Embassy in Mexico by the Attorney General's Office (PGR) are verified by a joint program conducted by the PGR and the U.S. Drug Enforcement Administration (DEA). The program is based on a sampling chosen by the Mexican Attorney General's Office of the total number of fields eradicated. Given the time restraints and currently available technology, it is not possible to check every single field. At this time, all verification is being done by a fixed-wing aircraft. The implementation of on-the-ground verification, which requires the use of a rotary wing aircraft, is pending. For calendar year 1986, however, DEA reported that over 90 percent of the fields checked had been destroyed.

PERU: FY 1988 REQUEST - $8,500,000

SENATOR D'AMATO: On page 28, you state that it is a U.S. goal to improve the Peruvian Customs Service and its ability to interdict coca products at the border.

How does the State Department plan to do this? Will this be a joint effort so that complementary efforts will be developed between U.S. and Peruvian Customs? Are we encouraging countries bordering Peru to develop cooperative programs against drug trafficking networks operating through South America?

SECRETARY SHULTZ: The State Department has allotted $100,000 dollars to support the Peruvian Customs Service. A certain portion of these funds have been earmarked for in-country joint training programs to be conducted by U.S. Customs.

Funds and training have been made available to all of the customs services in the Andean region. In all cases, the U.S. emphasis has been on regional cooperation between customs services to interdict drugs as they cross the border.

BURMA: FY 1988 Request - $13,000,000

SENATOR D'AMATO: On page 33, you state that 91% of overall funding will be directed to a continuation of the program of aerial eradication.

What is Burma doing on the ground to destroy heroin laboratories, and to dismantle drug trafficking organizations through arrest and prosecution?

SECRETARY SHULTZ: Burmese authorities continue to actively mount operations aimed at destroying heroin refineries and disrupting trafficking. In 1986/87 units of the Burmese army were active in several major actions that led to the destruction of four Shan United Army refineries, the seizure of a BCP refinery and blockades of caravan routes. All of these actions have hampered the activities of trafficking groups.

THAILAND: FY 1988 request - $6,800,000

SENATOR D'AMATO: On page 35, you state that project funds will support the Royal Thai Army on the Thai-Burma border against insurgent trafficking groups. On page 36 of the budget justification, you are decreasing the amount earmarked for RTA border security from $1,800,000 to $1,650,000.

How do you justify this in light of the fact that so many tons of opium and heroin cross the Burma-Thai border each year?

SECRETARY SHULTZ: The amounts previously spent and also budgeted for FY 1988 for border security will be used to provide assistance to the Thai government in other border area projects. The previous border project referred to in the budget documents has been completed.

CHINESE DRUG TRAFFICKING GROUPS

SENATOR D'AMATO: What is the Department's role in combatting the growing strength of ethnic Chinese drug trafficking organizations, such as the Triads, in Southeast Asia and the United States?

SECRETARY SHULTZ: The Department works closely with DEA and Customs who have major roles in drug enforcement and interdiction. The Department, through INM, provides support to international programs, liaison with foreign governments (such as with authorities in Hong Kong and elsewhere in Asia), and funds for training which lead to improved international cooperation in enforcement areas related to suppression of ethnic Chinese and other drug trafficking organizations.

TURKEY: FY 1988 request - $1,400,00

SENATOR D'AMATO: On page 41, you state that Turkey, as a result of its geographical position bordering drug-producing countries, is particuarly susceptible to illicit transporting of narcotic materials. One of the bordering countries is Pakistan, to which we provide enormous assistance.

What program have we implemented to coordinate border interdiction programs with Turkey and Pakistan?

SECRETARY SHULTZ: Current programs aimed at the suppression of narcotics traffic through Turkey as a transit country involve enforcement activities jointly sponsored by the Turkish government, third countries, the UN and the U.S. government. The anti-trafficking program has targeted increased Turkish resources against traffickers and has been suplemented by U.S. assistance in the form of training and equipment. INM funded training, provided by U.S. agencies, has led to an internal narcotics training program within the Turkish National Police. The provision of commodities, such as communications equipment, has also enhanced the capability of Turkish organizations such as the Jandarma (rural enforcement police).

QUESTIONS SUBMITTED BY SENATOR SPECTER TO SECRETARY SHULTZ

WAR POWERS

SENATOR SPECTER: Recognizing that the legal decisions on the Administration's position on a test case of the War Powers Act before the Supreme Court of the United States are within the province of the Attorney General, would you please state your view, in your capacity as Secretary of State, as to whether you would like a final decision on the constitutionality of the War Powers Act.

SECRETARY SHULTZ: As your question indicates, and as I discussed during my testimony, the advisability of seeking a final decision regarding the constitutionality of the War Powers resolution from the U.S. Supreme Court is properly within the province of the Attorney General. I have not developed a separate view on this issue in my capacity as Secretary of State and believe it would be inappropriate to do so.

U.S./SANDINISTA NEGOTIATIONS

SENATOR SPECTER: Following a line of questioning by other senators that participation by the United States government in direct talks with the Sandinistas is important, a position with which I agree, at what point would you be willing to enter into discussions with the Sandinista government, either on a bilateral or multilateral basis?

SECRETARY SHULTZ: We have repeatedly offered to resume bilateral negotiations with Nicaragua when the Sandinistas enter into a serious dialogue with all elements of their opposition, including the Resistance. We have stated that the best way in which to resolve differences between the Sandinistas and the Resistance is direct negotiations. Our decision to enter into multilateral negotiations is based on the same criteria, i.e. Sandinista dialogue with the opposition, including the Resistance. We would have to examine the situation closely and determine whether our engaging in direct bilateral or multilateral negotiations at that point would promote the peace process. Any direct discussions with Nicaragua would be within the context of the regional negotiations and would be designed to move the regional negotiations forward. They could not be separated from the regional process.

EMIGRATION OF JEWS FROM THE USSR

SENATOR SPECTER: Is there any additional action which can be taken by the United States Government to facilitate future emigration of Jews from the Soviet Union?

SECRETARY SHULTZ: We have let the Soviets know that human rights abuses have a detrimental effect on U.S. Soviet relations, and they can be in no doubt about the seriousness of our commitment to human rights and to emigration.

We will continue to press for faster processing of pending cases, which will result in larger numbers of emigrants, modifications in the secrecy provisions, and other needed institutional changes.

STRATEGIC DEFENSE INITIATIVE

SENATOR SPECTER: Are there any areas of negotiation involving the Strategic Defense Initiative in which the United States would be willing to engage the Soviet Union which might facilitate a major reduction in strategic arms (perhaps as high as the 50% which has been discussed) in addition to the current negotiations on INF?

SECRETARY SHULTZ: We do not believe that a START (Strategic Arms Reduction Talks) agreement should be linked in any way to the Strategic Defense Initiative (SDI)--strategic weapons should be reduced in their own right. Nevertheless, the United States has been forthcoming with the Soviets about about our plans for SDI, and has a made a number of constructive proposals.

During Secretary of State Shultz's April, 1987 visit to Moscow, and later at the Nuclear and Space talks in Geneva, we proposed a mutual commitment, through 1994, not to withdraw from the ABM (Anti-Ballistic Missile) Treaty to deploy strategic defenses not permitted by that treaty.

Such a commitment would be contingent upon implementation of agreed START (Strategic Arms Reduction Talks) reductions, i.e., 50 percent reductions in strategic arms to 1600 delivery vehicles and 6,000 warheads, with appropriate sublimits, over seven years from entry into force of a START treaty.

We also proposed a "predictability package" designed to provide assurances to both sides regarding each side's work on strategic defenses: an annual exchange of data and reciprocal briefings on planned strategic defense activities, and reciprocal observation of strategic defense testing.

The Soviets July 29 tabled a draft Defense and Space "agreement" that does not make any substantive changes to their position as enunciated to Secretary Shultz during his April Moscow visit. We have held extensive discussions with the Soviets on their draft, most recently at the meeting between Secretary Shultz and Foreign Minister Shevardnadze at Washington. Their draft seeks to amend the ABM Treaty to make it more restrictive. The U.S. will not agree to restrictions on the SDI program beyond those in the ABM Treaty.

HAGUE CHILD ABDUCTION CONVENTION

SENATOR SPECTER: What action can be taken by the United States government to promote worldwide ratification of the Hague Convention on Civil Aspect of International Child Abduction in aid of my constituent, Mr. Nicholas Cassizzi of Philadelphia, about whom I wrote you on May 29, 1987?

SECRETARY SHULTZ: The United States was a major force within the Hague Conference on Private International Law in the preparation and negotiation of the Hague Convention on the Civil Aspects of International Child Abduction. Twenty-six countries participated in the negotiation of the Convention. At present, the Convention is in force in France, Portugal, Switzerland, Canada, Hungary, the United Kingdom, Australia, Luxembourg and Spain. The following countries voted to adopt the Convention at the Hague Conference but have not yet acceded to it: Austria, Belgium, Czechoslovakia, Denmark, the Federal Republic of Germany, Greece, Ireland, Japan, the Netherlands, Norway, Sweden, Venezuela, Yugoslavia and the United States. Many of those countries, including the United States, are actively seeking its adoption. Egypt, Israel and Italy also participated in the negotiations but abstained from voting to adopt the Convention. In addition to these twenty-six countries, Argentina, the Holy See, Suriname, Turkey, Brazil, Monaco, Morocco, the USSR, and Uruguay attended by invitation and did not participate in the voting. The Department of State has expressed the hope that other countries which participated in the negotiation of the Convention would become parties to it and, in its meetings with the Hague Conference and contacts with delegates to those meetings, the Department continues to urge those countries to consider adopting the Convention.

Department officials have, from time to time, informed the Permanent Bureau of the Hague Conference on Private International Law, which prepared the Convention, of the status of developments on the Convention in the United States, and that information has been used by the Permanent Bureau staff members and State Department officials to encourage appropriate officials of other countries to promote consideration of the Convention for possible ratification. On occasion the Department has provided foreign officials and family law experts, either on our initiative or in response to requests from abroad, with information about the numbers of parental abductions of children from the United States to other countries known to the Department. There is little doubt that this kind of information, and especially information about developments towards U.S. ratification, does serve to encourage other countries seriously to consider possible ratification of the Convention. However, the countries most likely to ratify in addition to those that have already done so, are common law and civil code countries in Europe and countries elsewhere in the world with similar legal systems. It appears doubtful that countries not member states of the Hague Conference on Private International Law, or countries having very different legal systems or societies, would become parties to the Convention.

In addition to our work with the Hague Conference, the Department has also made great efforts to champion the benefits of the Convention to other countries in an attempt to make the Convention universal. At the 1984 Inter-American Private International Law Conference (CIDIP III) in La Paz, Bolivia, the U.S. delegation attempted to dissuade the representatives of the OAS countries from drafting a separate agreement to which it might not be possible for the United States to accede. The delegates were briefed on the Hague Child Abduction Convention. In particular, Portugal's accession to the Convention was stressed to the CIDIP delegates. The Department reiterated this position at a December 1986 meeting with representatives of the Organization of American States (OAS). The Convention was commended again to the OAS in Spring 1987 in the United States's submission to the OAS in preparation for the 1988 CIDIP IV Conference which will include a discussion of parental child abduction. We intend to press the point further at the 1988 Conference.

In July 1985, the U.N. World Conference on Women in Nairobi proposed a resolution for the preparation of a treaty or international agreement on parental child abduction. The U.S. delegation commended the Hague Convention to those assembled. The United States recommended that the Conference recast its draft resolution which only narrowly addressed the problem. We urged that foreign states examine the question of international child abductions in custody-related disputes with the rights, interests and welfare of the affected children in mind. We further urged that states examine the approach of the Hague Convention with a view to developing suitable multilateral, regional or bilateral treaties or arrangements to deal with this burgeoning international problem. The nations represented at the Conference included Jordan, Greece, the People's Republic of China, Argentina, Barbados, Colombia, Yugoslavia, Thailand, the Federal Republic of Germany, Brazil, Belgium, Egypt, Australia, Denmark, India, Ireland, Guatemala, the Netherlands, Finland, Indonesia, Jamaica, the United Kingdom, Peru, Portugal, the Philippines, Spain, Mexico, Kenya, Norway, France, Haiti, Trinidad, Ecuador, Italy, Costa Rica, El Salvador, Chile, Stockholm, Honduras, Israel, Japan, Austria, New Zealand, Senegal, Zimbabwe, Malaysia, Zambia, Somalia, and Canada.

In addition to these organized approaches, we continue to advise informally representatives of all countries of the world on the merits of the Convention. When approaching their counterparts in a foreign government, U.S. consuls encourage all nations to consider the Convention as an avenue of possible resolution of this serious international problem. In a further effort to publicize and recommend the Convention to other nations, the Department of State intends to address the Chiefs of Mission in Washington on the subject once the United States ratifies the Convention.

As you are aware, the Convention was transmitted to the Senate on October 30, 1985. The Senate on October 9, 1986 gave advice and consent to U.S. ratification of the 1980 Hague Convention on the Civil Aspects of International Child Abduction. However, draft legislation is required to ensure that the United States is in the best position fully and uniformly to implement the Hague Convention with regard to children abducted from countries party to the Convention to the United States. The bills containing the International Child Abduction Act, the text of which had been prepared by the Departments of State, Justice and Health and Human Services and cleared by the Administration, which were transmitted to the Congress on March 6, were introduced as S. 1347 by Senator Simon on behalf of seven Senators on June 9, 1987 and as H.R. 2673 on June 11, 1987 by Congressman Lantos on behalf of two members of the House of Representatives. S. 1347 has been referred to the Subcommittee on the Courts and Administrative Practice of the Senate Judiciary Committee. H.R. 2673 has been referred to the Subcommittee on Public Assistance and Unemployment Compensation of the House Ways and Means Committee and the Subcommittee on Administrative Law and Governmental Relations of the House Judiciary Committee.

Only after the enactment of S. 1347 and H.R. 2673 and subsequent ratification of the Hague Convention by the United States will the Department be in a strong position to urge other countries to become parties to the Convention. It is the Department's hope that the Congress will soon enact the bills now pending before the Senate and the House of Representatives. That action will enable the United States to ratify the Convention and thereby provide considerable assurance that children thereafter abducted from the United States to other countries that have become parties to the Convention will be returned to this country pursuant to the return obligations that the Convention provides.

In the matter of Mr. Cassizzi's case, Norway, in conjunction with three other nordic countries, Sweden, Denmark and Finland, anticipates the Convention entering into force in 1988. Unfortunately, the Convention may not provide a remedy to Mr. Cassizzi inasmuch as the Convention is only prospective in nature.

SUBCOMMITTEE RECESS

Senator INOUYE. I would like to say that this concludes the subcommittee's scheduled hearings on the President's request for fiscal year 1988 appropriations for foreign assistance and related programs. We have spent over 17 hours receiving testimony from witnesses in public hearings, as well as numerous hours in gathering information for questioning of witnesses. It may be of interest to you, sir, that we have listened to 63 administration witnesses, public citizens, and organizations.

With that, and with our gratitude, unless you have something to say, the subcommittee will now stand in recess subject to call of the Chair.

[Whereupon, at 11:38 a.m., Friday, August 7, the subcommittee was recessed, to reconvene at the call of the Chair.]

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